



**Los Angeles County Office of Education**

Serving Students ■ Supporting Communities ■ Leading Educators



# Annual Financial Report

Fiscal Year Ended June 30, 2023



**Los Angeles County  
Office of Education**

Serving Students ■ Supporting Communities ■ Leading Educators

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## Independent Auditor's Report

To the Honorable Board President and Members of the Board of Education,  
and Debra Duardo, M.S.W., Ed.D., Superintendent  
Los Angeles County Office of Education  
Downey, California

### Report on the Audit of the Financial Statements

#### ***Opinions***

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

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

#### ***Basis for Opinions***

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

#### ***Adoption of New Accounting Standard***

As discussed in Note 15 to the financial statements, the Office of Education has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. As a result of implementing the standard, there was no effect on the governmental activities beginning net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of Education'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 Office of Education'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 changes in the Office of Education's net OPEB liability and related ratios, schedule of the Office of Education's contributions for OPEB, schedule of OPEB investment returns, schedule of the Office of Education's proportionate share of the net OPEB liability – MPP program, schedule of the Office of Education's proportionate share of the net pension liability, and the schedule of the Office of Education's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023 on our consideration of the Office of Education'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 Office of Education'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 Office of Education's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 5, 2023



## **Management's Discussion and Analysis June 30, 2023**

### **INTRODUCTION**

The following discussion and analysis, prepared by management, provides an overview of the financial position and activities of the Los Angeles County Office of Education (Office of Education) for the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. The intent of the discussion and analysis is to look at the financial performance of the Office of Education as a whole.

The discussion and analysis should be read in conjunction with the financial statements and notes following this section. Those statements have been prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related pronouncements.

The financial statements provide reporting that is similar to private sector companies by showing agency-wide financial statements with a "Net Position" bottom-line approach. However, government agencies are mandated to account for certain resources and activities separately, thereby necessitating a financial format by fund, as shown in the Financial Statements Section of this report. The presentation of these two different types of statements together in one report requires the inclusion of two reconciliations found on pages 17 through 18 and pages 20 through 21 to assist the reader.

### **REPORTING THE OFFICE OF EDUCATION AS A WHOLE**

#### **Statement of Net Position and Statement of Activities**

The Statement of Net Position and Statement of Activities provide government-wide information about the financial activities of the entire Office of Education, except fiduciary activities, presenting both an aggregate and a longer-term view of its finances.

- The Statement of Net Position presents all of the Office of Education's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as Net Position. Increases or decreases in Net Position may serve as a useful indicator to determine whether the financial position of the Office of Education is improving or deteriorating.
- The Statement of Activities presents information showing the Office of Education's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.
- The accompanying financial statements report both the Net Position (Statement of Net Position) remaining at year-end and the financial activities (Statement of Activities) for the year that resulted in the change to Net Position.

## Management's Discussion and Analysis June 30, 2023

The change in Net Position is particularly important since it tells the reader whether the financial position of the Office of Education has improved or deteriorated as a result of its financial activities for the year. For further explanation of the financial statements, please refer to the Summary of Significant Accounting Policies, Note 1 of the accompanying Notes to Financial Statements.

These government-wide financial statements present assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Office of Education, including net investment in capital assets, and long-term liabilities, using the economic resources measurement focus and the accrual basis of accounting. This accounting method is similar to that used by most private-sector companies. All of the current year's revenues and expenses are reported, regardless of when the cash is collected or paid out. For a further explanation of the Office of Education's basis of accounting, please refer to the Summary of Significant Accounting Policies, Note 1, of the accompanying Notes to Financial Statements. In the Statement of Net Position and the Statement of Activities, all transactions are reported as governmental activities.

### Fund Financial Statements

The Office of Education utilizes several funds to account for a wide-range of financial transactions. The fund financial statements disclose how services were financed in the short-term as well as what remains for future spending. The fund financial statements focus on the most significant funds of the Office of Education, with all other non-major governmental funds presented in total in one column.

The County School Service Fund (General Fund) and the Child Development Fund are the major governmental funds of the Office of Education. Non-major governmental funds include the Student Activity Fund, the Special Education Pass-Through Fund, the Forest Reserve Fund, the County School Facilities Fund, and the Special Reserve Fund for Capital Outlay Projects. The fund financial statements also report information about the Office of Education's proprietary fund and fiduciary funds.

- **Governmental Funds** - The Office of Education's basic services are reported in the governmental funds. These funds present the inflows and outflows of cash, and other financial assets that can be readily converted to cash (current financial resources measurement focus and modified accrual basis of accounting.) The Governmental Funds Statements provide detailed information concerning the increases or decreases in financial resources that are available to be spent in the near future to finance the Office's educational programs.

Reconciliation between the Statement of Net Position and Statement of Activities and the corresponding Governmental Funds Statements is provided because the information in the governmental funds statements does not take into account the additional long-term focus of the Government-Wide Statements.

- **Proprietary Fund** - The Internal Service Fund-Self Insurance balances are reported in the Proprietary Fund using the economic resources measurement focus and the accrual basis of accounting. The fund is used to report activities for retiree health benefits (OPEB), workers' compensation, and the self-insurance retention portion for property loss and general liability.

## Management's Discussion and Analysis June 30, 2023

- **Fiduciary Funds** - Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. These funds are custodial in nature and are used to account for assets held by the Office of Education for transmittal to others.

### FINANCIAL HIGHLIGHTS

The assets of the Office of Education exceeded its liabilities at the close of the fiscal year ended June 30, 2023 by \$233.6 million. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations. The increase in total net position during the fiscal year ended June 30, 2023 was \$99.3 million.

The following are other key financial highlights for the fiscal year ended June 30, 2023:

- As of the close of this fiscal year, the Office of Education's governmental funds reported a combined ending fund balance of \$412.3 million, an increase of \$76.9 million in comparison with the prior year balance. The Internal Service Fund-Self Insurance is reported in a separate Proprietary Fund using the accrual basis of accounting.
- At the end of this fiscal year, the unassigned fund balance for the General Fund was \$59.7 million, which represents a decrease of \$18.0 million in comparison with the prior year.

### USING THE FINANCIAL STATEMENTS

This Annual Financial Report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader may better understand the Office of Education's operations as a whole.

This discussion and analysis are intended to serve as an introduction to the Office of Education's financial statements. The Office of Education's financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Financial Statements. In addition to the financial statements and required supplementary information, this report also contains other supplementary information as noted in the Table of Contents.

### OTHER FINANCIAL INFORMATION

The accompanying Notes to Financial Statements provides information that is essential to understanding the financial statements. In addition, supplementary information has been included in this report that includes budgetary comparison schedules and other data as required by accounting principles generally accepted in the United States of America.

**Management's Discussion and Analysis**  
**June 30, 2023**

**OFFICE OF EDUCATION AS A WHOLE ANALYSIS**

Table 1 provides a comparative summary of the Net Position of the Office of Education as of June 30, 2023 and June 30, 2022. Net position may serve over time as a useful indicator of the financial position of the Office of Education. As of June 30, 2023, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$233.6 million. The largest categories of the Office of Education's total assets are deposits and investment amounting to \$499.2 million (see Note 2 of the Notes to Financial Statements), receivables totaling \$77.6 million, and capital, right-to-use leased, and right-to-use subscription IT assets totaling \$136.9 million. (See Notes 3 and 4 of the Notes to Financial Statements).

**Table 1**  
**Summary of Net Position**

|   | Governmental Activities |                       |                      |
|---|-------------------------|-----------------------|----------------------|
|   | 2023                    | 2022,<br>as restated  | Change               |
| <b>Assets</b>   |                         |                       |                      |
| Current and other assets  | \$ 577,881,820          | \$ 501,194,918        | \$ 76,686,902        |
| Capital assets, right-to-use leased<br>assets, and right-to-use<br>subscription IT assets | <u>136,942,510</u>      | <u>143,989,007</u>    | <u>(7,046,497)</u>   |
| Total assets  | <u>714,824,330</u>      | <u>645,183,925</u>    | <u>69,640,405</u>    |
| Deferred Outflows of Resources  | <u>108,554,892</u>      | <u>50,574,699</u>     | <u>57,980,193</u>    |
| <b>Liabilities</b>  |                         |                       |                      |
| Current liabilities   | 112,853,950             | 121,240,707           | (8,386,757)          |
| Long-term liabilities   | 82,731,427              | 85,354,669            | (2,623,242)          |
| Aggregate net OPEB liability  | 11,493,693              | 10,202,825            | 1,290,868            |
| Aggregate net pension liability   | <u>347,175,219</u>      | <u>176,585,068</u>    | <u>170,590,151</u>   |
| Total liabilities   | <u>554,254,289</u>      | <u>393,383,269</u>    | <u>160,871,020</u>   |
| Deferred Inflows of Resources   | <u>35,560,497</u>       | <u>168,107,793</u>    | <u>(132,547,296)</u> |
| <b>Net Position (Deficit)</b>   |                         |                       |                      |
| Net investment in capital assets  | 101,967,740             | 106,438,104           | (4,470,364)          |
| Restricted  | 165,874,506             | 106,230,098           | 59,644,408           |
| Unrestricted deficit  | <u>(34,277,810)</u>     | <u>(78,400,640)</u>   | <u>44,122,830</u>    |
| Total net position  | <u>\$ 233,564,436</u>   | <u>\$ 134,267,562</u> | <u>\$ 99,296,874</u> |

The Net Position of the Office of Education for 2022-2023 fiscal year increased by \$99.3 million.

**Management’s Discussion and Analysis  
June 30, 2023**

Current and other assets increased by \$76.7 million. Deposits and investments at June 30, 2023, increased by \$82.5 million from June 30, 2022, receivables decreased by \$6.0 million, while stores inventory, prepaid expenditures, and other assets increased by \$0.3 million.

Total liabilities increased by \$160.9 million compared to June 30, 2022. Current liabilities include accounts payable, which decreased by \$5.8 million, and unearned revenue which decreased by \$2.6 million from June 30, 2022. Long-term liabilities include Certificates of Participation (COP), which decreased by \$1.3 million, compensated absences, which decreased by \$0.3 million, claims liability which increased by \$1.0 million, and lease liability which decreased by \$2.4 million. The aggregate net OPEB liability increased by \$1.3 million from June 30, 2022, and the aggregate net pension liability increased by \$170.6 million in comparison with the previous year.

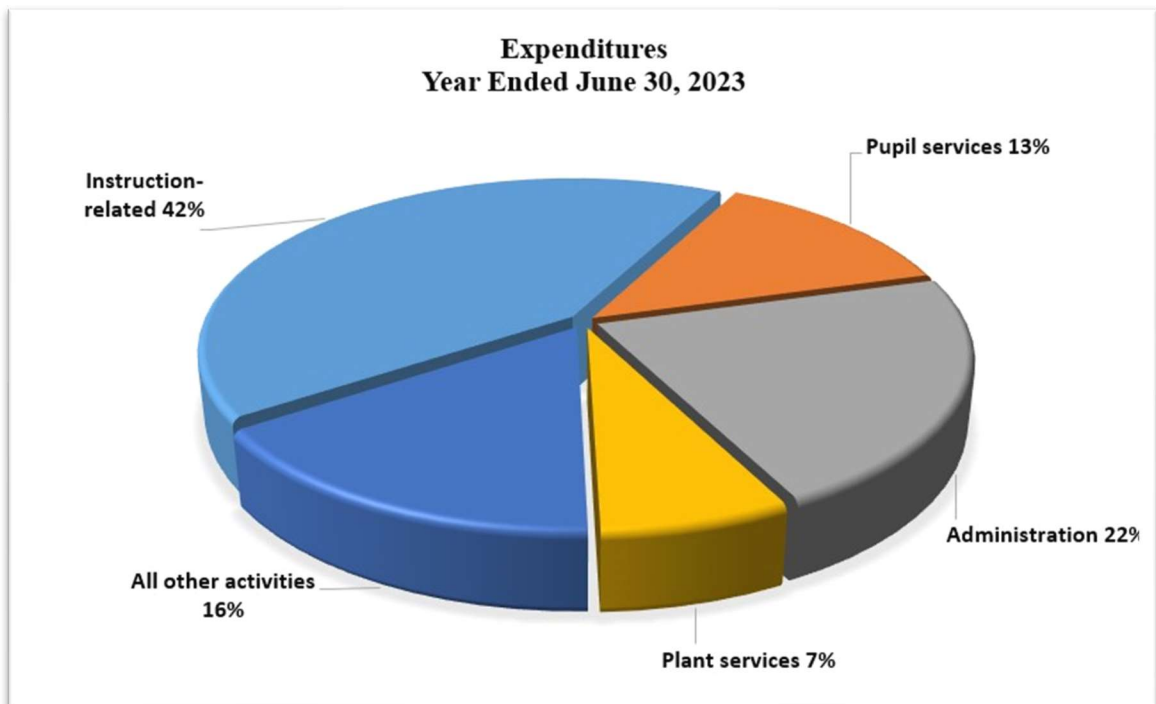
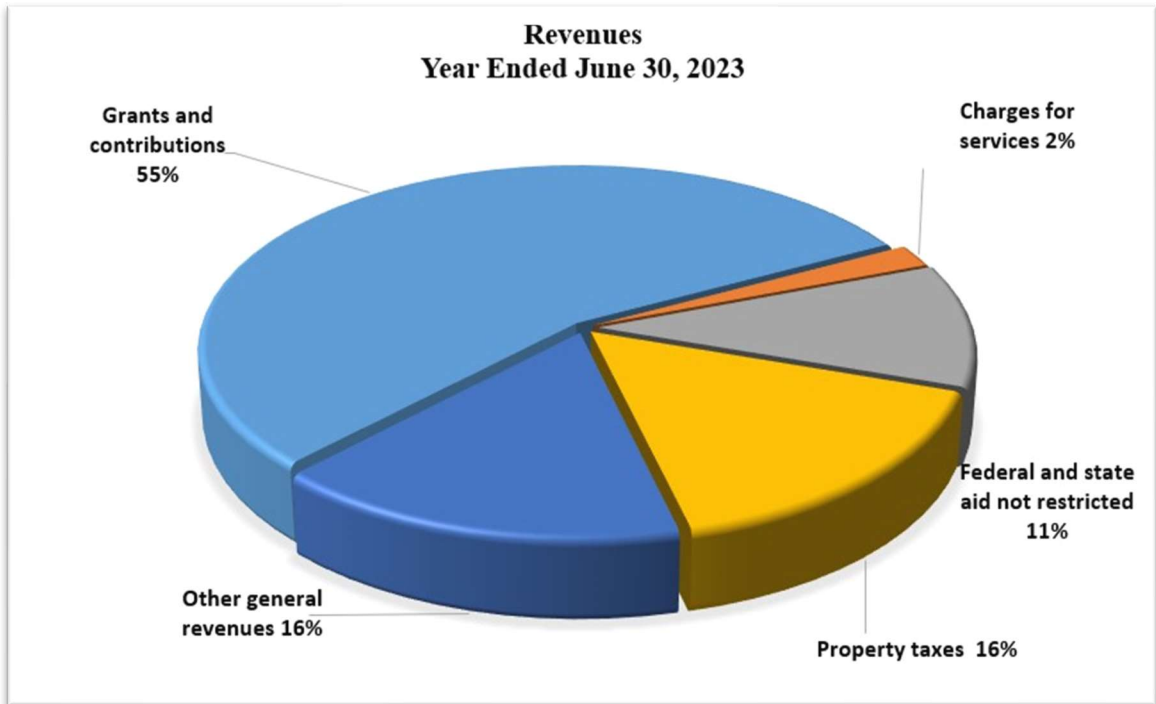
**Table 2  
Summary of Activities**

|                                      | Governmental Activities |                      |                     |
|--------------------------------------|-------------------------|----------------------|---------------------|
|                                      | 2023                    | 2022*                | Change              |
| <b>Revenues</b>                      |                         |                      |                     |
| Grants and contributions             | \$ 373,937,095          | \$ 497,556,909       | \$ (123,619,814)    |
| Charges for services and sales       | 16,755,452              | 11,820,878           | 4,934,574           |
| Federal and State aid not restricted | 77,551,086              | 75,768,490           | 1,782,596           |
| Property taxes                       | 108,588,127             | 95,666,037           | 12,922,090          |
| Other general revenues               | 111,960,928             | 72,400,614           | 39,560,314          |
| <b>Total revenues</b>                | <b>688,792,688</b>      | <b>753,212,928</b>   | <b>(64,420,240)</b> |
| <b>Expenses</b>                      |                         |                      |                     |
| Instruction-related                  | 248,210,421             | 199,476,862          | 48,733,559          |
| Pupil services                       | 76,051,533              | 240,972,829          | (164,921,296)       |
| Administration                       | 130,094,547             | 90,757,517           | 39,337,030          |
| Plant services                       | 41,945,158              | 41,159,677           | 785,481             |
| All other services                   | 93,194,155              | 87,738,992           | 5,455,163           |
| <b>Total expenses</b>                | <b>589,495,814</b>      | <b>660,105,877</b>   | <b>(70,610,063)</b> |
| <b>Change in Net Position</b>        | <b>\$ 99,296,874</b>    | <b>\$ 93,107,051</b> | <b>\$ 6,189,823</b> |

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

During the 2022-2023 fiscal year, revenues and expenses decreased by \$64.4 million and \$70.6 million, respectively. The decreasing in revenue is mainly due to receiving Coronavirus-related grants and Coronavirus-related pass-through grants of \$172.8 million. The decrease in expenditures is mainly due to decreases of salary and benefits and additional personnel and expenditures for administration of Coronavirus-related funds.

**Management's Discussion and Analysis  
June 30, 2023**



## **Management's Discussion and Analysis June 30, 2023**

### **FINANCIAL ANALYSIS OF THE FUNDS**

The following is a summary analysis of the Office of Education's governmental funds as of June 30, 2023:

**General Fund** - As of June 30, 2023, the fund balance of the County School Services Fund (General Fund) was \$347.3 million. Of the \$59.7 million unassigned General Fund balance, \$11.3 million represents the Office of Education's two percent reserve for contingencies required by the State of California.

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

**Non-Major Governmental Funds** - The Office of Education has established various Non-Major Governmental Funds to control and manage money for specific purposes. These funds include Student Activity Fund, Special Education Pass-Through Fund, Forest Reserve Fund, County School Facilities Fund, and Special Reserve Fund for Capital Outlay Projects. Information regarding these funds is presented in the summary in the Funds Statements. As of June 30, 2023, the fund balance of the Non Major Governmental Funds was \$57.2 million.

**Proprietary Fund** - The Internal Service Fund for Self Insurance is reported separately as a Proprietary Fund, using the accrual basis of accounting. As of June 30, 2023, the Net Position ending balance was a surplus of \$30.6 million, an increase of \$7.3 million from the beginning balance of Net Position. The surplus is the result of netting positive current assets of \$52.9 million and liabilities \$22.3 million, primarily with the actuarial liability of \$21.9 million for projected future claims.

### **GENERAL FUND COMPARISON TO BUDGET**

The original budget adopted for fiscal year 2022-2023 was revised several times during the fiscal year. Budget revisions were approved by the Board of Education to adjust for changes in grant monies that were awarded to the Office of Education, and other changes during the fiscal year.

Budgeted revenue exceeded actual receipts by \$139.8 million, mainly due to Early Learning and Care Reopening Schools fund for COVID testing of \$7.3 million and Coronavirus-related grants of \$30.0 million budgeted, but not spent. Federal and state programs were budgeted at the full amount of the grant. Not all budgeted expenditures for those grants were incurred by June 30, 2023. Early Head Start and Head Start of \$60.0 million, American Rescue Plan of \$5.2 million, AB 130 Foster Youth Direct of \$5.0 million, GAIN of \$7.8 million, and Medi-Cal Administrative Activities of \$14.5 million, and Student Behavioral Health Incentive of \$9.6 million were budgeted at the full amount of the grant. Not all budgeted expenditures for those grants were incurred by June 30, 2023. The remaining funding will be expended and recognized in the 2023-2024 fiscal year.

**Management’s Discussion and Analysis  
June 30, 2023**

Total actual expenditures were \$220.5 million lower than budgeted, mainly due to Early Learning and Care Reopening Schools fund for COVID testing of \$7.3 million and Coronavirus-related grants of \$30.3 million were spent less than budgeted. Head Start and Early Head Start did not spend approximately \$ 60.0 million of their funding. Remaining funds will be carried over to the 2023-2024 fiscal year. AB 130 Foster Youth Direct, GAIN, American Rescue Plan, Student Behavioral Health Incentive and Medi-Cal Administrative and other miscellaneous grants spent \$67.7 million less than budgeted. Differentiated Assistance funding of \$14.1 million was postponed until the 2023-2024 fiscal year. Salaries and benefits were budgeted at the full yearly cost for all approved positions, but many vacant positions remained unfilled for periods of time during the year pending recruitment, or were not filled immediately as a cost-saving measure.

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

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

As of June 30, 2023, the Office of Education had a net capital assets, right-to-use leased assets, and right-to-use subscription IT assets balance of \$136.9 million. Table 3 illustrates the components of capital assets as of June 30, 2023, compared to June 30, 2022.

**Table 3  
Schedule of Capital, Leased, and Subscription IT Assets, Net**

|                                     | Governmental Activities |                       |
|-------------------------------------|-------------------------|-----------------------|
|                                     | 2023                    | 2022,<br>as restated  |
| Land and construction in progress   | \$ 25,080,098           | \$ 20,783,182         |
| Buildings and improvements          | 73,534,746              | 76,367,299            |
| Furniture, equipment, and software  | 7,882,211               | 13,948,528            |
| Leased assets                       | 29,016,542              | 32,025,784            |
| Right-to-use subscription IT assets | 1,428,913               | 864,214               |
| <b>Total</b>                        | <b>\$ 136,942,510</b>   | <b>\$ 143,989,007</b> |

During the 2022-2023 fiscal year, capital, leased, and subscription IT assets net of depreciation and amortization decreased by \$7.0 million. We present more detailed information about our capital assets, right-to-use leased assets, and right-to-use subscription IT assets in Note 4 in the accompanying Notes to the Financial Statements.

**Long-Term Liabilities**

As of June 30, 2023, the Office of Education had \$441.4 million in outstanding long-term liabilities, a \$169.3 million increase from June 30, 2022. More detailed information about long-term liabilities can be found in Notes 9, 11, 12, and 13 of the accompanying Notes to Financial Statements.



**Management's Discussion and Analysis**  
**June 30, 2023**

Healthcare benefit and pension costs have significantly increased every year. The PERS employer contribution rate currently at 34.27% is projected to be approximately at 40.0% by the 2029-30 fiscal year.

**ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE**

The state budget and the national and state economies, due to the COVID-19 pandemic, have provided many new challenges. Substantial federal and state funds from Elementary and Secondary School Emergency Relief (ESSER), Learning Loss Mitigation Fund (LLMF), In-Person Instruction (IPI) and Expanded Learning Opportunities (ELO) have boosted revenue in the Office of Education for the 2020-21 and 2021-22 fiscal years. The funding has various deadlines with September 30, 2024 as the last date these funds can be spent.

Los Angeles County Office of Education  
Statement of Net Position  
June 30, 2023

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>   |                            |
| Deposits and investments  | \$ 499,152,847             |
| Receivables   | 77,645,842                 |
| Prepaid expense   | 766,212                    |
| Stores inventories  | 167,906                    |
| Other current assets  | 31,977                     |
| Lease receivable  | 117,036                    |
| Capital assets not depreciated  | 25,080,098                 |
| Capital assets, net of accumulated depreciation   | 81,416,957                 |
| Right-to-use leased assets, net of accumulated amortization                                       | 29,016,542                 |
| Right-to-use subscription IT assets, net of accumulated amortization                              | 1,428,913                  |
| Total capital assets, right-to-use leased assets, and right-to-use<br>subscription IT assets, net | 136,942,510                |
| Total assets  | 714,824,330                |
| <b>Deferred Outflows of Resources</b>   |                            |
| Deferred outflows of resources related to OPEB  | 3,070,693                  |
| Deferred outflows of resources related to pensions  | 105,484,199                |
| Total deferred outflows of resources  | 108,554,892                |
| <b>Liabilities</b>  |                            |
| Accounts payable  | 87,378,144                 |
| Unearned revenue  | 25,475,806                 |
| Long-term liabilities   |                            |
| Long-term liabilities other than OPEB and pensions, due within one year                           | 12,147,732                 |
| Long-term liabilities other than OPEB and pensions, due in more than one year                     | 70,583,695                 |
| Aggregate net OPEB liability  | 11,493,693                 |
| Aggregate net pension liability   | 347,175,219                |
| Total liabilities   | 554,254,289                |
| <b>Deferred Inflows of Resources</b>  |                            |
| Deferred inflows of resources related to OPEB   | 2,822,827                  |
| Deferred inflows of resources related to pensions   | 32,620,634                 |
| Deferred inflows of resources related to leases   | 117,036                    |
| Total deferred inflows of resources   | 35,560,497                 |
| <b>Net Position</b>   |                            |
| Net investment in capital assets  | 101,967,740                |
| Restricted for  |                            |
| Capital projects  | 48,460,347                 |
| Educational programs  | 77,005,607                 |
| Other activities  | 40,408,552                 |
| Unrestricted deficit  | (34,277,810)               |
| Total net position  | \$ 233,564,436             |

Los Angeles County Office of Education  
Statement of Activities  
Year Ended June 30, 2023

| Functions/Programs  | Expenses              | Program Revenues                     |  |  | Net (Expenses)                             |
|---|-----------------------|--------------------------------------|--|--|--|
|   |                       | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Revenues<br>and Changes<br>in Net Position |
|   |                       |                                      |  |  | Governmental<br>Activities                 |
| <b>Governmental Activities</b>                            |                       |                                      |  |  |  |
| Instruction   | \$ 136,462,561        | \$ 1,146,171                         | \$ 117,562,769                           | \$ 13,563,202                          | \$ (4,190,419)                             |
| Instruction-related activities                            |                       |                                      |  |  |  |
| Supervision of instruction                                | 95,396,085            | 1,193,059                            | 81,584,370                               | -                                      | (12,618,656)                               |
| Instructional library, media,<br>and technology           | 10,112,032            | 857                                  | 911,880                                  | -                                      | (9,199,295)                                |
| School site administration                                | 6,239,743             | 24,689                               | 1,363,045                                | -                                      | (4,852,009)                                |
| Pupil services  |                       |                                      |  |  |  |
| Home-to-school transportation                             | 5,969,835             | -                                    | 623,985                                  | -                                      | (5,345,850)                                |
| Food services   | 440,811               | -                                    | 248,170                                  | -                                      | (192,641)                                  |
| All other pupil services                                  | 69,640,887            | 1,653,689                            | 65,458,092                               | -                                      | (2,529,106)                                |
| Administration  |                       |                                      |  |  |  |
| Data processing   | 63,262,505            | -                                    | 1,299,821                                | -                                      | (61,962,684)                               |
| All other administration                                  | 66,832,042            | 1,184,057                            | 15,702,155                               | -                                      | (49,945,830)                               |
| Plant services  | 41,945,158            | 1,954,577                            | 23,660,579                               | -                                      | (16,330,002)                               |
| Ancillary services  | 1,435,340             | 287,646                              | 1,063,408                                | -                                      | (84,286)                                   |
| Community services  | 25,760,702            | 8,168,615                            | 23,643,795                               | -                                      | 6,051,708                                  |
| Enterprise services                                       | 12,397,451            | 301,700                              | 2,407,090                                | -                                      | (9,688,661)                                |
| Interest on long-term liabilities                         | 1,840,758             | -                                    | -  | -                                      | (1,840,758)                                |
| Other outgo   | 51,759,904            | 840,392                              | 24,844,734                               | -                                      | (26,074,778)                               |
| <b>Total governmental activities</b>                      | <b>\$ 589,495,814</b> | <b>\$ 16,755,452</b>                 | <b>\$ 360,373,893</b>                    | <b>\$ 13,563,202</b>                   | <b>\$ (198,803,267)</b>                    |
| <b>General Revenues and Subventions</b>                   |                       |                                      |  |  |  |
| Property taxes, levied for general purposes               |                       |                                      |  |  | \$ 104,183,285                             |
| Taxes levied for other specific purposes                  |                       |                                      |  |  | 4,404,842                                  |
| Interagency revenue                                       |                       |                                      |  |  | 28,496,939                                 |
| Federal and State aid not restricted to specific purposes |                       |                                      |  |  | 77,551,086                                 |
| Interest and investment earnings                          |                       |                                      |  |  | 7,378,417                                  |
| Miscellaneous   |                       |                                      |  |  | 76,085,572                                 |
| <b>Subtotal, general revenues and subventions</b>         |                       |                                      |  |  | <b>298,100,141</b>                         |
| Change in Net Position                                    |                       |                                      |  |  | 99,296,874                                 |
| Net Position - Beginning                                  |                       |                                      |  |  | 134,267,562                                |
| Net Position - Ending                                     |                       |                                      |  |  | <b>\$ 233,564,436</b>                      |

Los Angeles County Office of Education

Balance Sheet – Governmental Funds

June 30, 2023

|  | General<br>Fund              | Child<br>Development<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------------------|------------------------------|------------------------------------|--------------------------------|
| <b>Assets</b>  |                              |                              |                                    |                                |
| Deposits and investments   | \$ 371,304,068               | \$ 35,962,123                | \$ 58,660,367                      | \$ 465,926,558                 |
| Receivables  | 74,160,541                   | 2,259,776                    | 670,605                            | 77,090,922                     |
| Prepaid expenditures   | 766,212                      | -                            | -                                  | 766,212                        |
| Stores inventories   | 167,906                      | -                            | -                                  | 167,906                        |
| Other current assets   | 31,977                       | -                            | -                                  | 31,977                         |
| Lease receivable   | 117,036                      | -                            | -                                  | 117,036                        |
| <b>Total assets</b>  | <b><u>\$ 446,547,740</u></b> | <b><u>\$ 38,221,899</u></b>  | <b><u>\$ 59,330,972</u></b>        | <b><u>\$ 544,100,611</u></b>   |
| <b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>       |                              |                              |                                    |                                |
| <b>Liabilities</b>   |                              |                              |                                    |                                |
| Accounts payable   | \$ 67,018,280                | \$ 17,829,313                | \$ 2,174,035                       | \$ 87,021,628                  |
| Due to other funds   | 19,158,173                   | -                            | -                                  | 19,158,173                     |
| Unearned revenue   | 12,906,731                   | 12,569,075                   | -                                  | 25,475,806                     |
| <b>Total liabilities</b>   | <b><u>99,083,184</u></b>     | <b><u>30,398,388</u></b>     | <b><u>2,174,035</u></b>            | <b><u>131,655,607</u></b>      |
| <b>Deferred Inflows of Resources</b>                                       |                              |                              |                                    |                                |
| Deferred inflows of resources related to leases                            | 117,036                      | -                            | -                                  | 117,036                        |
| <b>Fund Balances</b>   |                              |                              |                                    |                                |
| Nonspendable   | 1,014,118                    | -                            | -                                  | 1,014,118                      |
| Restricted   | 77,005,607                   | 9,649,753                    | 48,567,280                         | 135,222,640                    |
| Committed  | -                            | -                            | 8,683,070                          | 8,683,070                      |
| Assigned   | 209,663,618                  | -                            | -                                  | 209,663,618                    |
| Unassigned   | 59,664,177                   | (1,826,242)                  | (93,413)                           | 57,744,522                     |
| <b>Total fund balances</b>   | <b><u>347,347,520</u></b>    | <b><u>7,823,511</u></b>      | <b><u>57,156,937</u></b>           | <b><u>412,327,968</u></b>      |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b><u>\$ 446,547,740</u></b> | <b><u>\$ 38,221,899</u></b>  | <b><u>\$ 59,330,972</u></b>        | <b><u>\$ 544,100,611</u></b>   |

Los Angeles County Office of Education  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2023

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|   |                      |                |
|---|----------------------|----------------|
| Total Fund Balance - Governmental Funds   |                      | \$ 412,327,968 |
| Amounts reported for Governmental Activities in the Statement of Net Position are different because:  |                      |                |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.  |                      |                |
| The cost of capital assets is   | \$ 235,681,188       |                |
| Accumulated depreciation is   | <u>(129,184,133)</u> |                |
| Net capital assets  |                      | 106,497,055    |
| Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.  |                      |                |
| The cost of right-to-use leased assets is   | 36,830,565           |                |
| Accumulated amortization is   | <u>(7,814,023)</u>   |                |
| Net right-to-use leased assets  |                      | 29,016,542     |
| Right-to-use subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.   |                      |                |
| The cost of right-to-use subscription IT assets is  | 1,934,218            |                |
| Accumulated amortization is   | <u>(505,305)</u>     |                |
| Net right-to-use subscription IT assets   |                      | 1,428,913      |
| An internal service fund is used by the Office of Education's management to charge the costs of the workers' compensation insurance program and general liability insurance programs to the individual funds. The assets and liabilities of the Internal Service Fund are included with the governmental activities in the statement of net position. |                      |                |
|   |                      | 30,651,866     |
| Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to  |                      |                |
| Aggregate net OPEB liability  | 3,070,693            |                |
| Aggregate net pension liability   | <u>105,484,199</u>   |                |
| Total deferred outflows of resources  |                      | 108,554,892    |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to  |                      |                |
| Aggregate net OPEB liability  | (2,822,827)          |                |
| Aggregate net pension liability   | <u>(32,620,634)</u>  |                |
| Total deferred inflows of resources   |                      | (35,443,461)   |
| The Office of Education's aggregate net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.   |                      |                |
|   |                      | (11,493,693)   |
| The Office of Education's aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.  |                      |                |
|   |                      | (347,175,219)  |

Los Angeles County Office of Education  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2023

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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of

|                                     |                |
|-------------------------------------|----------------|
| Certificates of participation (COP) | \$ (3,403,487) |
| Leases                              | (30,338,737)   |
| Subscription-based IT arrangements  | (1,232,546)    |
| Compensated absences                | (15,738,864)   |

In addition, the Office of Education has issued 'capital appreciation' certificates of participation. The accretion of interest unmatured on the certificates of participations to date is:

(10,086,793)

Total long-term liabilities \$ (60,800,427)

Total net position - governmental activities \$ 233,564,436

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

|   | General<br>Fund       | Child<br>Development<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------------|------------------------------|------------------------------------|--------------------------------|
| <b>Revenues</b>   |                       |                              |                                    |                                |
| Local control funding formula   | \$ 179,457,518        | \$ -                         | \$ -                               | \$ 179,457,518                 |
| Federal sources   | 263,466,616           | 1,859,496                    | 4,532,649                          | 269,858,761                    |
| Other State sources   | 37,352,316            | 32,441,016                   | 35,224,972                         | 105,018,304                    |
| Other local sources   | 132,836,211           | (1,235,040)                  | 3,852,569                          | 135,453,740                    |
| Total revenues  | <u>613,112,661</u>    | <u>33,065,472</u>            | <u>43,610,190</u>                  | <u>689,788,323</u>             |
| <b>Expenditures</b>   |                       |                              |                                    |                                |
| <b>Current</b>  |                       |                              |                                    |                                |
| Instruction   | 128,831,322           | 13,460,258                   | -                                  | 142,291,580                    |
| Instruction-related activities  |                       |                              |                                    |                                |
| Supervision of instruction  | 87,621,325            | 13,033,477                   | -                                  | 100,654,802                    |
| Instructional library, media,<br>and technology                         | 10,962,655            | -                            | -                                  | 10,962,655                     |
| School site administration  | 6,919,765             | -                            | -                                  | 6,919,765                      |
| Pupil services  |                       |                              |                                    |                                |
| Home-to-school transportation   | 5,972,173             | -                            | -                                  | 5,972,173                      |
| Food services   | 440,811               | -                            | -                                  | 440,811                        |
| All other pupil services  | 72,888,482            | 136,519                      | -                                  | 73,025,001                     |
| Administration  |                       |                              |                                    |                                |
| Data processing   | 57,741,055            | -                            | -                                  | 57,741,055                     |
| All other administration  | 67,801,015            | 1,023,949                    | -                                  | 68,824,964                     |
| Plant services  | 34,483,126            | 88,436                       | -                                  | 34,571,562                     |
| Ancillary services  | 1,297,915             | -                            | 170,959                            | 1,468,874                      |
| Community services  | 26,861,346            | -                            | -                                  | 26,861,346                     |
| Enterprise services   | 13,220,758            | -                            | -                                  | 13,220,758                     |
| Other outgo   | 25,989,012            | -                            | 25,770,892                         | 51,759,904                     |
| Facility acquisition and construction                                   | 7,821,595             | -                            | (2,600,431)                        | 5,221,164                      |
| Debt service  |                       |                              |                                    |                                |
| Principal   | 6,616,089             | 179,510                      | -                                  | 6,795,599                      |
| Interest and other  | 913,146               | 94,109                       | -                                  | 1,007,255                      |
| Total expenditures  | <u>556,381,590</u>    | <u>28,016,258</u>            | <u>23,341,420</u>                  | <u>607,739,268</u>             |
| Excess (Deficiency) of Revenues<br>Over Expenditures                    | <u>56,731,071</u>     | <u>5,049,214</u>             | <u>20,268,770</u>                  | <u>82,049,055</u>              |
| <b>Other Financing Sources (Uses)</b>                                   |                       |                              |                                    |                                |
| Transfers in  | 100,592               | -                            | -                                  | 100,592                        |
| Other sources - proceeds from leases                                    | 1,538,203             | -                            | -                                  | 1,538,203                      |
| Other sources - proceeds from SBITAs                                    | 1,070,004             | -                            | -                                  | 1,070,004                      |
| Other sources - proceeds from disposal of<br>right-to-use leased assets | 8,314                 | -                            | -                                  | 8,314                          |
| Transfers out   | (7,810,117)           | -                            | (100,592)                          | (7,910,709)                    |
| Net Financing Sources (Uses)  | <u>(5,093,004)</u>    | <u>-</u>                     | <u>(100,592)</u>                   | <u>(5,193,596)</u>             |
| Net Change in Fund Balances   | 51,638,067            | 5,049,214                    | 20,168,178                         | 76,855,459                     |
| Fund Balance - Beginning  | 295,709,453           | 2,774,297                    | 36,988,759                         | 335,472,509                    |
| Fund Balance - Ending   | <u>\$ 347,347,520</u> | <u>\$ 7,823,511</u>          | <u>\$ 57,156,937</u>               | <u>\$ 412,327,968</u>          |

Los Angeles County Office of Education

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

|   |                     |
|---|---------------------|
| Total Net Change in Fund Balances - Governmental Funds  | \$ 76,855,459       |
| Amounts Reported For Governmental Activities in the Statement of Activities are Different Because   |                     |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities. This is the amount by which depreciation and amortization expenses exceeds capital outlays in the period. |                     |
| Capital outlays   | \$ 12,916,152       |
| Depreciation and amortization expenses  | <u>(19,959,634)</u> |
| Net expense adjustment  | (7,043,482)         |
| Loss on disposal of capital assets is reported in the government-wide Statement of Activities, but is not recorded in the governmental funds.   | (3,015)             |
| Right-to-use leased assets acquired this year were financed with leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the leases are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.   | (1,538,203)         |
| Right-to-use subscription IT assets acquired this year were financed with Subscription-Based IT Arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.   | (1,070,004)         |
| In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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). This amount is the difference between vacation earned and used.  | 267,353             |
| In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and aggregate net OPEB liability during the year.  | 2,616,593           |
| In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities pension expense is the net effect of all changes in the deferred outflows, deferred inflows, and aggregate net pension liability during the year.   | 15,973,289          |



Los Angeles County Office of Education

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

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

|                                    |              |
|------------------------------------|--------------|
| Certificates of participation      | \$ 2,180,000 |
| Lease liability                    | 3,913,927    |
| Subscription-based IT arrangements | 701,672      |

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. Interest was accreted on the Office of Education's capital appreciation Certificates of Participation.

(833,503)

An internal service fund is used by the Office of Education's management to charge the costs of the workers' compensation insurance program and general liability insurance programs to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

7,276,788

Change in net position of governmental activities

\$ 99,296,874

Los Angeles County Office of Education  
Statement of Net Position – Proprietary Fund  
June 30, 2023

|  | <u>Governmental<br/>Activities<br/>Internal<br/>Service Fund</u> |
|--|--|
| Assets                                 |  |
| Current Assets                         |  |
| Deposits and investments               | \$ 33,226,289  |
| Receivable                             | 554,920  |
| Due from other funds                   | <u>19,158,173</u>  |
| Total current assets                   | <u>52,939,382</u>  |
| Liabilities                            |  |
| Current Liabilities                    |  |
| Accounts payable                       | 356,516  |
| Claim liabilities - current portion    | <u>4,335,000</u>   |
| Total current liabilities              | <u>4,691,516</u>   |
| Noncurrent Liabilities                 |  |
| Claim liabilities - noncurrent portion | <u>17,596,000</u>  |
| Total liabilities                      | <u>22,287,516</u>  |
| Net Position                           |  |
| Restricted                             | <u><u>\$ 30,651,866</u></u>                                      |

Los Angeles County Office of Education  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
Year Ended June 30, 2023

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|                                    | <u>Governmental<br/>Activities<br/>Internal<br/>Service Fund</u> |
|------------------------------------|--|
| Operating Revenues                 |  |
| Contributions                      | <u>\$ 8,099,269</u>  |
| Operating Expenses                 |  |
| Salaries and benefits              | 979,385  |
| Supplies and materials             | 21,122   |
| Professional and contract services | <u>9,135,929</u>   |
| Total operating expenses           | <u>10,136,436</u>  |
| Operating Loss                     | <u>(2,037,167)</u>   |
| Nonoperating Revenues              |  |
| Investment income                  | 1,503,838  |
| Transfers in                       | <u>7,810,117</u>   |
| Total nonoperating revenues        | <u>9,313,955</u>   |
| Change in Net Position             | 7,276,788  |
| Total Net Position - Beginning     | <u>23,375,078</u>  |
| Total Net Position - Ending        | <u><u>\$ 30,651,866</u></u>                                      |

Los Angeles County Office of Education  
Statement of Cash Flows – Proprietary Fund  
Year Ended June 30, 2023

|  | <u>Governmental<br/>Activities<br/>Internal<br/>Service Fund</u> |
|--|--|
| Operating Activities   |  |
| Cash received from customers   | \$ 8,099,269   |
| Cash payments to employees for services                                    | (952,950)  |
| Cash payments for insurance claims   | (8,176,815)  |
| Cash payments to suppliers for goods and services                          | 177,772  |
| Cash payments for other operating expenses                                 | 34,444   |
|  | <u>                    </u>                                      |
| Net Cash Flows from Operating Activities                                   | <u>(818,280)</u>   |
| Investing Activities   |  |
| Interest on investments  | 1,071,790  |
| Transfer in  | 7,810,117  |
| Amounts due from the General Fund  | (19,158,173)   |
|  | <u>                    </u>                                      |
| Net Cash Provided By Investing Activities                                  | <u>(10,276,266)</u>  |
| Net Change in Cash and Cash Equivalents                                    | (11,094,546)   |
| Cash and Cash Equivalents, Beginning                                       | <u>44,320,835</u>  |
| Cash and Cash Equivalents, Ending  | <u><u>\$ 33,226,289</u></u>                                      |
| Reconciliation of Operating Loss to Net Cash used for Operating Activities |  |
| Operating loss   | \$ (2,037,167)   |
| Changes in assets and liabilities  |  |
| Accounts payable   | 220,887  |
| Claims liabilities   | 998,000  |
|  | <u>                    </u>                                      |
| Net Cash Flows from Operating Activities                                   | <u><u>\$ (818,280)</u></u>                                       |

Los Angeles County Office of Education  
Statement of Net Position – Fiduciary Funds  
June 30, 2023

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|                          | <u>Custodial<br/>Funds</u>   |
|--------------------------|------------------------------|
| Assets                   |                              |
| Deposits and investments | \$ 184,741,933               |
| Interest receivable      | <u>223,549,893</u>           |
| Total assets             | <u><u>\$ 408,291,826</u></u> |
| Liabilities              |                              |
| Funds held for others    | <u><u>\$ 408,291,826</u></u> |

Los Angeles County Office of Education  
Statement of Changes in Net Position – Fiduciary Funds  
Year Ended June 30, 2023

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|  | Custodial<br>Funds |
|--|--------------------|
| Additions  |                    |
| Retirement contributions from local education agencies           | \$ 2,609,428,554   |
| Payroll withholdings for garnishment payments                    | 7,420,192          |
| State apportionments   | 30,522,703,116     |
| Interest   | 576,300,211        |
| Total additions  | 33,715,852,073     |
| Deductions   |                    |
| Payment of retirement contributions to state agencies            | 2,609,365,374      |
| Payment of retirement contributions to plan administrators       | 63,180             |
| Payment of garnishments to beneficiaries                         | 7,420,192          |
| Distribution of interest to local education agencies             | 576,300,211        |
| Distribution of state apportionments to local education agencies | 30,522,703,116     |
| Total deductions   | 33,715,852,073     |
| Net Increase (Decrease) in Fiduciary Net Position                | -                  |
| Net Position - Beginning   | -                  |
| Net Position - Ending  | \$ -               |

**Note 1 - Summary of Significant Accounting Policies**

The Los Angeles County Office of Education (the Office of Education) was formed in 1852 and is governed by a seven-member Board of Education appointed by the Los Angeles County Board of Supervisors. Five members serve four-year terms and two members serve two-year rotational terms. The Office of Education operates independently of the County of Los Angeles and is not considered one of its component units.

The reporting entity of the Office of Education includes the Office of Education as the primary government, and one component unit, the Los Angeles County Office of Education Schools Regionalized Business Services Corporation (Business Services Corporation). The Business Services Corporation is a financing entity established in 1989, through which the Office of Education issues its Certificates of Participation. The Board of Education acts as the governing board of the Business Services Corporation that provides services solely to the Office of Education; accordingly, the activities of the Business Services Corporation are blended in the accompanying basic financial statements.

Also included in the accompanying basic financial statements is the financial activity of the Employee Assistance Service for Education (EASE). EASE was created to provide employees of the Office of Education and member school districts with a common and confidential source of information and counseling for personal problems. Although this program is a separate legal entity, it has a governing board that reports to the Board of Education.

**Other Related Entities**

The Office of Education has approved charters for the following Charter Schools. The financial information for the following charter schools is not a part of this Financial Report:

|   |   |
|---|---|
| Alma Fuerte Public School                     | Lashon Academy                                      |
| Animo City of Champions Charter High School   | Lashon Academy City                                 |
| Aspire Antonio Maria Lugo Academy             | Magnolia Science Academy #1                         |
| Aspire Ollin University Preparatory Academy   | Magnolia Science Academy #2                         |
| Bridges Preparatory Academy                   | Magnolia Science Academy #3                         |
| Da Vinci RISE High                            | Magnolia Science Academy #5                         |
| Environmental Charter Middle School-Gardena   | North Valley Military Institute College Preparatory |
| Environmental Charter Middle School-Inglewood | Academy*  |
| Environmental Charter High School 2           | Odyssey Charter School                              |
| Intellectual Virtues Academy                  | Soleil Academy Charter School                       |
| Jardin de la Infancia Charter School          | The SEED School of Los Angeles County               |
| KIPP Poder Public School                      | T.I.M.E. Community Schools**                        |
| Russell Westbrook Why Not? Middle             | Valiente College Preparatory                        |
| Russell Westbrook Why Not? High               | We The People High School                           |

\* Closed in the 2023-24 year.

\*\* Closed as of June 30, 2023.

### **Basis of Presentation - Fund Accounting**

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

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

#### **Major Governmental Funds**

**General Fund** The General Fund is the chief operating fund for the Office of Education and is used to account for its ordinary operations. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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

As a result, the General Fund reflects an increase in fund balance of \$135,491,550.

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

#### **Non-Major Governmental Funds**

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.



- **Special Education Pass-Through Fund** The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to member districts or charter schools.
- **Forest Reserve Fund (County Offices)** The Forest Reserve Fund exists to account separately for Federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (*Education Code* Section 2300; *Government Code* Section 29484).

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

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

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

- **Internal Service Fund** The Internal Service Fund may be used to account for any activity for which services are provided to other funds of the Office of Education on a cost-reimbursement basis.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the Office of Education and are not available to support the Office of Education 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 Office of Education has the following fiduciary funds:

- **Custodial Funds** Custodial Funds are used to account for resources, not in a trust, that are held by the Office of Education for other parties outside the Office of Education's reporting entity. The Office of Education's custodial funds are: Public Employees' Retirement System Pass-Through Fund, State Teachers' Retirement System Pass-Through Fund, Charter School Pass-Through Fund, State School Pass-Through

Fund, Pooled Investment Interest Fund, 403B and 457 Alternate Retirement Pass-Through Fund, Payroll Reserve Offset Fund, and Legal Claims Fund.

### **Basis of Accounting - Measurement Focus**

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

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

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how Office of Education finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the Office of Education.

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

Non-exchange transactions, in which the Office of Education 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

### **Cash and Cash Equivalents**

The Office of Education's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with County Treasury balances for purposes of the statement of cash flows.

**Investments**

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

The Office of Education’s investment in the County treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool is not required to be categorized within the fair value hierarchy.

**Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Stores Inventories**

Stores inventory is valued at the lower of cost or market, using the dollar averaging valuation method. Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are issued.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the Office of Education. The capitalization threshold for equipment is \$5,000; for land, buildings and building improvements, the threshold is \$25,000. The Office of Education 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 statement of net position. The valuation basis for capital assets is 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.

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

|                     |               |
|---------------------|---------------|
| Buildings           | 50 years      |
| Portable classrooms | 20 years      |
| Vehicles            | 10 years      |
| Other equipment     | 5 to 10 years |

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

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column of the statement of net position.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. The Office of Education permits employees to accumulate earned but unused vacation and sick pay benefits. Accrued vacation and sick pay, to the extent that it is payable upon termination, is accrued in the government-wide financial statements. In accordance with GASB Interpretation No. 6, a liability for these amounts is only reported in the fund statements if they are due and payable at fiscal year-end.

### **Accrued Liabilities and Long-Term Liabilities**

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

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

### **Deferred Outflows/Inflows of Resources**

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

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

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) Plan and the California Public Employees' Retirement System (CalPERS) Miscellaneous Plan (Plans) and additions 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

**Postemployment Benefits Other Than Pensions (OPEB)**

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

**Leases**

The Office of Education recognizes a lease liability and an intangible right-to-use leased asset (leased asset) in the government-wide financial statements. At the commencement of the lease term, the Office of Education 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 asset.

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

## Subscriptions

The Office of Education recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the subscription term, the Office of Education 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 shorter of the subscription term or useful life of the underlying asset.

## Fund Balances - Governmental Funds

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

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

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the Office of Education. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Office of Education adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

## Spending Order Policy

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

**Minimum Fund Balance Policy**

The Office of Education maintains a Reserve for Economic Uncertainties consisting of unassigned amounts in the General Fund balance equal to no less than ten percent of General Fund expenditures and other financing uses, as prescribed by Board of Education policy. This exceeds the minimum level of two percent of General Fund expenditures and other financing uses, as mandated by the California Department of Education.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to the net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Office of Education or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Office of Education first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$165,874,506 of restricted net position.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Office of Education, these revenues are local and intermediate sources. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Estimates**

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

**Interfund Activity**

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



**Property Tax**

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

**Change in Accounting Principles****Implementation of GASB Statement No. 91**

As of July 1, 2022, the Office of Education adopted GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. The implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. In addition, it requires issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations. There was not a significant effect on the Office of Education's financial statements as a result of the implementation of the standard.

**Implementation of GASB Statement No. 94**

As of July 1, 2022, the Office of Education adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. The implementation of this standard establishes standards of accounting and financial reporting for PPPs and APAs. The standard requires recognition of an asset, receivable, and deferred inflow of resources. There was not a significant effect on the Office of Education's financial statements as a result of the implementation of the standard.

**Implementation of GASB Statement No. 96**

As of July 1, 2022, the Office of Education adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard are included in Notes 4 and 9.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

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

|                                |                              |
|--------------------------------|------------------------------|
| Governmental activities        | \$ 499,152,847               |
| Fiduciary funds                | <u>184,741,933</u>           |
| Total deposits and investments | <u><u>\$ 683,894,780</u></u> |

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

|                                |                              |
|--------------------------------|------------------------------|
| Cash on hand and in banks      | \$ 106,933                   |
| Cash with fiscal agent         | 5,022                        |
| Cash in revolving              | 355,000                      |
| Investments                    | <u>683,427,825</u>           |
| Total deposits and investments | <u><u>\$ 683,894,780</u></u> |

**Policies and Practices**

As required by the California *Education Code* Section 41001, the Office of Education deposits cash in the County Treasury. Additionally, the Office of Education also maintains accounts in banks and financial institutions to account for cash in its governmental and fiduciary funds.

The Office of Education's deposits at local financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) for up to \$250,000 per depositor, per federally insured depository institution, with the remaining balance being collateralized as stipulated by State law.

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

### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Office of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County Treasurer manages its exposure to interest rate risk having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County Treasurer monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Office of Education maintains an investment of \$683,427,825 in the Los Angeles County Investment Pool with an average weighted maturity of 753 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments issued by or explicitly guaranteed by the U.S. government are exempt from this disclosure.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the Office of Education’s deposits may not be returned to it. The Office of Education does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. On June 30, 2023, the Office of Education's bank balances of approximately \$488.7 thousand were exposed to custodial credit risk because they were uninsured but were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Office of Education.

**Note 3 - Receivables**

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

|                     | General Fund         | Child Development Fund | Non-Major Governmental Funds | Internal Service Fund | Total Governmental Funds | Fiduciary Funds       |
|---------------------|----------------------|------------------------|------------------------------|-----------------------|--------------------------|-----------------------|
| Federal Government  |                      |                        |                              |                       |                          |                       |
| Categorical aid     | \$ 49,584,288        | \$ -                   | \$ 142,766                   | \$ -                  | \$ 49,727,054            | \$ -                  |
| State Government    |                      |                        |                              |                       |                          |                       |
| LCFF apportionment  | 14,632               | -                      | -                            | -                     | 14,632                   | -                     |
| Categorical aid     | 5,975,301            | 1,918,531              | -                            | -                     | 7,893,832                | -                     |
| Lottery             | 97,266               | -                      | -                            | -                     | 97,266                   | -                     |
| Local Government    |                      |                        |                              |                       |                          |                       |
| Interest            | 3,762,755            | 339,445                | 527,839                      | 554,920               | 5,184,959                | 223,549,893           |
| Other local sources | 14,726,299           | 1,800                  | -                            | -                     | 14,728,099               | -                     |
| <b>Total</b>        | <b>\$ 74,160,541</b> | <b>\$ 2,259,776</b>    | <b>\$ 670,605</b>            | <b>\$ 554,920</b>     | <b>\$ 77,645,842</b>     | <b>\$ 223,549,893</b> |

**Note 4 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets**

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

|  | Balance,<br>July 1, 2022,<br>as restated | Additions           | Deductions         | Balance,<br>June 30, 2023 |
|--|--|---------------------|--------------------|---------------------------|
| <b>Governmental Activities</b>                   |  |                     |                    |                           |
| Capital Assets Not Being Depreciated             |  |                     |                    |                           |
| Land   | \$ 14,857,733                            | \$ -                | \$ -               | \$ 14,857,733             |
| Construction in Progress                         | 5,925,449                                | 4,296,916           | -                  | 10,222,365                |
| Total capital assets not being depreciated       | <u>20,783,182</u>                        | <u>4,296,916</u>    | <u>-</u>           | <u>25,080,098</u>         |
| Capital Assets Being Depreciated                 |  |                     |                    |                           |
| Buildings and Improvements                       | 115,001,185                              | -                   | -                  | 115,001,185               |
| Furniture and Equipment                          | 49,923,127                               | 2,205,783           | (327,132)          | 51,801,778                |
| Software   | 39,992,881                               | 3,805,246           | -                  | 43,798,127                |
| Total capital assets being depreciated           | <u>204,917,193</u>                       | <u>6,011,029</u>    | <u>(327,132)</u>   | <u>210,601,090</u>        |
| Less Accumulated Depreciation                    |  |                     |                    |                           |
| Buildings and Improvements                       | (38,633,886)                             | (2,832,553)         | -                  | (41,466,439)              |
| Furniture and Equipment                          | (42,938,054)                             | (1,305,630)         | 324,117            | (43,919,567)              |
| Software   | (33,029,426)                             | (10,768,701)        | -                  | (43,798,127)              |
| Total accumulated depreciation                   | <u>(114,601,366)</u>                     | <u>(14,906,884)</u> | <u>324,117</u>     | <u>(129,184,133)</u>      |
| Net depreciable capital assets                   | <u>90,315,827</u>                        | <u>(8,895,855)</u>  | <u>(3,015)</u>     | <u>81,416,957</u>         |
| Right-to-use leased assets being amortized       |  |                     |                    |                           |
| Buildings and improvements                       | 36,223,315                               | 812,139             | (1,127,478)        | 35,907,976                |
| Furniture and equipment                          | 254,362                                  | 726,064             | (57,837)           | 922,589                   |
| Total right-to-use leased assets being amortized | <u>36,477,677</u>                        | <u>1,538,203</u>    | <u>(1,185,315)</u> | <u>36,830,565</u>         |
| Accumulated amortization                         |  |                     |                    |                           |
| Buildings and improvements                       | (4,348,104)                              | (4,333,145)         | 1,127,478          | (7,553,771)               |
| Furniture and equipment                          | (103,789)                                | (214,300)           | 57,837             | (260,252)                 |
| Total accumulated amortization                   | <u>(4,451,893)</u>                       | <u>(4,547,445)</u>  | <u>1,185,315</u>   | <u>(7,814,023)</u>        |
| Net right-to-use leased assets                   | <u>32,025,784</u>                        | <u>(3,009,242)</u>  | <u>-</u>           | <u>29,016,542</u>         |

Los Angeles County Office of Education

Notes to Financial Statements

June 30, 2023

|   | Balance,<br>July 1, 2022,<br>as restated | Additions             | Deductions        | Balance<br>June 30, 2023 |
|---|--|-----------------------|-------------------|--------------------------|
| Right-to-use subscription IT assets being amortized   |  |                       |                   |                          |
| Right-to-use subscription IT assets   | 864,214                                  | 1,070,004             | -                 | \$ 1,934,218             |
| Accumulated amortization  | -  | (505,305)             | -                 | (505,305)                |
| Net right-to-use subscription IT assets   | <u>864,214</u>                           | <u>564,699</u>        | <u>-</u>          | <u>1,428,913</u>         |
| Governmental activities<br>capital assets, right-to-use<br>leased assets, and right-to-use<br>subscription IT assets, net | <u>\$ 143,989,007</u>                    | <u>\$ (7,043,482)</u> | <u>\$ (3,015)</u> | <u>\$ 136,942,510</u>    |

Depreciation and amortization expense were charged as a direct expense to governmental functions as follows:

|   |                      |
|---|----------------------|
| Governmental Activities   |                      |
| Instruction   | \$ 14,206            |
| Supervision of instruction  | 440,605              |
| All other pupil services  | 7,605                |
| Ancillary services  | 3,203                |
| Community services  | 4,495                |
| Enterprise  | 29,848               |
| Data processing   | 11,684,373           |
| All other administration  | 411,756              |
| Plant services  | <u>7,363,543</u>     |
| Total depreciation and amortization expense governmental activities | <u>\$ 19,959,634</u> |

**Note 5 - Lease Receivables**

The Office of Education has entered into a lease agreement with a lessee. The lease receivable is summarized below:

| Lease Receivable       | Balance,<br>July 1, 2022 | Addition    | Deletion           | Balance,<br>June 30, 2023 |
|------------------------|--------------------------|-------------|--------------------|---------------------------|
| Education Center lease | <u>\$ 173,624</u>        | <u>\$ -</u> | <u>\$ (56,588)</u> | <u>\$ 117,036</u>         |

The Office of Education leases a portion of its facilities for office space to a third party. The lease is noncancelable for a period of five years, with two additional optional renewal periods of five years. The lease is cancelable during the optional renewal periods by either party with six months prior written notice. Monthly lease payments are due monthly and increase annually by 3%. During the fiscal year, the Office of Education recognized \$56,588 in lease revenue and \$3,938 in interest revenue related to this agreement.

**Note 6 - Interfund Transactions**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At June 30, 2023, the balance of \$19,158,173 was due to the Internal Service Fund from the General Fund for timing of cash transactions.

**Operating Transfers**

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

| Transfer To  | General Fund | Transfer From<br>Non-Major<br>Governmental<br>Funds | Total        |
|--|--------------|---|--------------|
| General Fund   | \$ -         | \$ 100,592  | \$ 100,592   |
| Internal Service Fund  | 7,810,117    | -   | 7,810,117    |
|  | \$ 7,810,117 | \$ 100,592  | \$ 7,910,709 |
| The Forest Reserve Non-Major Governmental Fund transferred to the General Fund for outdoor education programs. |              |   | \$ 100,592   |
| The General Fund transferred to the Internal Service Fund for future other postemployment benefit premiums.    |              |   | 7,810,117    |
|  |              |   | \$ 7,910,709 |

**Note 7 - Accounts Payable**

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

|                         | General<br>Fund | Child<br>Development<br>Fund | Non-Major<br>Governmental<br>Funds | Internal<br>Service Fund | Total<br>Governmental<br>Funds |
|-------------------------|-----------------|------------------------------|------------------------------------|--------------------------|--------------------------------|
| Salaries and benefits   | \$ 25,332,091   | \$ 373,843                   | \$ -                               | \$ 70,892                | \$ 25,776,826                  |
| Due to Participant LEAs | 19,520,842      | 16,759,974                   | 2,082,214                          | -                        | 38,363,030                     |
| Other vendor payables   | 22,165,347      | 695,496                      | 91,821                             | 285,624                  | 23,238,288                     |
| Total                   | \$ 67,018,280   | \$ 17,829,313                | \$ 2,174,035                       | \$ 356,516               | \$ 87,378,144                  |

**Note 8 - Unearned Revenue**

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

|                              | General<br>Fund | Child<br>Development<br>Fund | Total<br>Governmental<br>Funds |
|------------------------------|-----------------|------------------------------|--------------------------------|
| Federal financial assistance | \$ 5,058,454    | \$ -                         | \$ 5,058,454                   |
| State categorical aid        | 7,144,617       | 12,569,075                   | 19,713,692                     |
| Other local                  | 703,660         | -                            | 703,660                        |
| Total                        | \$ 12,906,731   | \$ 12,569,075                | \$ 25,475,806                  |

**Note 9 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

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

|                                     | Balance,<br>July 1, 2022,<br>as restated | Additions    | Deductions      | Balance,<br>June 30, 2023 | Due in<br>One Year |
|-------------------------------------|--|--------------|-----------------|---------------------------|--------------------|
| Certificates of participation (COP) | \$ 14,836,777                            | \$ 833,503   | \$ (2,180,000)  | \$ 13,490,280             | \$ 2,220,000       |
| Leases                              | 32,714,461                               | 1,538,203    | (3,913,927)     | 30,338,737                | 3,649,580          |
| Subscription-based IT arrangements  | 864,214                                  | 1,070,004    | (701,672)       | 1,232,546                 | 660,987            |
| Compensated absences                | 16,006,217                               | 1,121,729    | (1,389,082)     | 15,738,864                | 1,282,165          |
| Claims liability                    | 20,933,000                               | 3,811,021    | (2,813,021)     | 21,931,000                | 4,335,000          |
|                                     | \$ 85,354,669                            | \$ 8,374,460 | \$ (10,997,702) | \$ 82,731,427             | \$ 12,147,732      |

Payments on the certificates of participation (COP) are made by the General Fund. Payments on compensated absences are typically charged to the fund and program for which the employee's salary is paid when separation from service occurs. An exception arises when payment is made to an employee who retires from a federally funded program. Federal guidelines prohibit the direct charge of normal separation costs to their programs. As a result, the payment is first charged to the General Fund's unrestricted resource and is subsequently included in the Office of Education's indirect cost allocation which charges all restricted and unrestricted programs. Payments on leases and subscription-based IT arrangements are made by the fund which receives the benefit of the underlying leased or subscription IT asset, which includes the General Fund and Child Development Fund. Payments on the claims liability will be paid by the Internal Service Fund.



**Certificates of Participation**

On August 1, 1999, the Los Angeles County Schools Pooled Financing Program issued \$26,783,170 of 1999 Series A Certificates of Participation, capital appreciation bonds, of which the portion allocated to the Office of Education was \$24,999,981. The 1999 COPs supplied the Office of Education with the financing to purchase the educational complex located on Columbia Way. The Office of Education's share of the COP is due in thirty annual installments varying from \$865,000 to \$2,510,000 beginning August 1, 2000, at rates ranging from 3.85% to 6.0%. The final 1999 COPs are scheduled to mature on August 1, 2029. The principal balance of the 1999 COPs outstanding at June 30, 2023, including accreted interest, is \$13,490,280.

| Year Ending June 30, | Principal            | Accreted Interest   | Total                |
|----------------------|----------------------|---------------------|----------------------|
| 2024                 | \$ 2,155,829         | \$ 64,171           | \$ 2,220,000         |
| 2025                 | 2,074,278            | 190,722             | 2,265,000            |
| 2026                 | 2,003,682            | 316,318             | 2,320,000            |
| 2027                 | 1,920,818            | 439,182             | 2,360,000            |
| 2028                 | 1,849,424            | 560,576             | 2,410,000            |
| 2029-2030            | 3,486,249            | 1,483,751           | 4,970,000            |
| Total                | <u>\$ 13,490,280</u> | <u>\$ 3,054,720</u> | <u>\$ 16,545,000</u> |

**Leases**

The Office of Education has entered into agreements to lease various facilities and equipment. The Office of Education's liability on lease agreements is summarized below:

| Leases            | Balance,<br>July 1, 2022 | Additions           | Payments              | Balance,<br>June 30, 2023 |
|-------------------|--------------------------|---------------------|-----------------------|---------------------------|
| Facilities leases | \$ 32,565,891            | \$ 812,139          | \$ (3,715,812)        | \$ 29,662,218             |
| Equipment leases  | 148,570                  | 726,064             | (198,115)             | 676,519                   |
| Total             | <u>\$ 32,714,461</u>     | <u>\$ 1,538,203</u> | <u>\$ (3,913,927)</u> | <u>\$ 30,338,737</u>      |

**Facilities Leases**

The Office of Education has entered into seventeen separate agreements to lease office and warehouse space. The agreements in place have end dates ranging from 2023 through 2035. Certain leases contain annual rental increases, ranging from 2% to 3%. Under the terms of the leases, the Office of Education makes payments ranging from \$37,076 to \$1,450,419 annually, which amounted to total principal and interest costs of \$4,799,755 for the year ended June 30, 2023. At June 30, 2023, the Office of Education has recognized a right-to-use leased asset, net of amortization of \$28,354,205 and a lease liability of \$29,662,218 related to these agreements. During the year ended June 30, 2023, the Office of Education recorded \$4,333,145 in amortization expense and \$1,083,943 in interest expense for the leased facilities. The Office of Education used discount rates ranging from 2.21% to 3.73%, based on the estimated incremental borrowing rate for financing over a similar time period.

**Equipment Leases**

The Office of Education entered into three agreements to lease copiers for periods of two to four years. Under the terms of the leases, the Office of Education makes payments ranging from \$46,461 to \$148,554 annually, which amounted to total principal and interest costs of \$219,500 for the year ended June 30, 2023. At June 30, 2023, the Office of Education has recognized right-to-use leased assets, net of amortization of \$662,337 and a lease liability of \$676,519 related to these agreements. During the fiscal year, the Office of Education recorded \$214,300 in amortization expense and \$21,385 in interest expense for the leased copiers. The Office of Education used discount rates of 2.10% to 2.90% based on the estimated incremental borrowing rate for financing over a similar time period. The Office of Education also pays between \$0.003 and \$0.03 per each additional copy in excess of the contracted amount, which is not included in the measurement of the lease liability as it is variable in nature. The Office of Education paid \$152,860 during the year toward those variable costs.

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

| Year Ending<br>June 30, | Principal            | Interest            | Total                |
|-------------------------|----------------------|---------------------|----------------------|
| 2024                    | \$ 3,649,580         | \$ 1,010,503        | \$ 4,660,083         |
| 2025                    | 3,465,384            | 891,276             | 4,356,660            |
| 2026                    | 3,607,302            | 770,994             | 4,378,296            |
| 2027                    | 3,696,540            | 646,586             | 4,343,126            |
| 2028                    | 3,249,121            | 525,181             | 3,774,302            |
| 2029-2033               | 9,326,665            | 1,425,928           | 10,752,593           |
| 2034-2035               | 3,344,145            | 132,269             | 3,476,414            |
| Total                   | <u>\$ 30,338,737</u> | <u>\$ 5,402,737</u> | <u>\$ 35,741,474</u> |

**Subscription-Based Information Technology Arrangements (SBITAs)**

The Office of Education has entered into SBITAs for the use of various software. At June 30, 2023, the Office of Education has recognized a right-to-use subscriptions IT asset, net of amortization of \$1,428,913 and a SBITA liability of \$1,232,546 related to these agreements. For the year ended June 30, 2023, the Office of Education recorded \$505,305 in amortization expense for the SBITAs. The Office of Education used discount rates of 2.90% to 4.19% based on the estimated incremental borrowing rate for financing over a similar time period.

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

| Year Ending<br>June 30, | Principal           | Interest         | Total               |
|-------------------------|---------------------|------------------|---------------------|
| 2024                    | \$ 660,987          | \$ 46,085        | \$ 707,072          |
| 2025                    | 329,193             | 23,253           | 352,446             |
| 2026                    | 118,390             | 9,883            | 128,273             |
| 2027                    | 123,976             | 5,056            | 129,032             |
| Total                   | <u>\$ 1,232,546</u> | <u>\$ 84,277</u> | <u>\$ 1,316,823</u> |

**Compensated Absences Payable**

The outstanding balance for compensated absences (unpaid employee vacation) at June 30, 2023 is \$15,738,864.

**Claims Liability**

At June 30, 2023, the claims liability amounted to \$21,931,000. See Note 12 for additional information.

**Note 10 - Fund Balances**

Fund balances are composed of the following elements:

|                                    | General<br>Fund       | Child<br>Development<br>Fund | Non-Major<br>Governmental<br>Funds | Total                 |
|------------------------------------|-----------------------|------------------------------|------------------------------------|-----------------------|
| <b>Nonspendable</b>                |                       |                              |                                    |                       |
| Revolving cash                     | \$ 80,000             | \$ -                         | \$ -                               | \$ 80,000             |
| Stores inventories                 | 167,906               | -                            | -                                  | 167,906               |
| Prepaid expenditures               | 766,212               | -                            | -                                  | 766,212               |
| Total nonspendable                 | <u>1,014,118</u>      | <u>-</u>                     | <u>-</u>                           | <u>1,014,118</u>      |
| <b>Restricted</b>                  |                       |                              |                                    |                       |
| Legally restricted programs        | 77,005,607            | 9,649,753                    | 106,933                            | 86,762,293            |
| Capital projects                   | -                     | -                            | 48,460,347                         | 48,460,347            |
| Total restricted                   | <u>77,005,607</u>     | <u>9,649,753</u>             | <u>48,567,280</u>                  | <u>135,222,640</u>    |
| <b>Committed</b>                   |                       |                              |                                    |                       |
| Deferred maintenance program       | -                     | -                            | 8,683,070                          | 8,683,070             |
| <b>Assigned</b>                    |                       |                              |                                    |                       |
| COP debt service carryover         | 16,545,000            |                              | -                                  | 16,545,000            |
| BEST Project                       | 36,000,000            | -                            | -                                  | 36,000,000            |
| Part O Carryover                   | 4,342,920             | -                            | -                                  | 4,342,920             |
| Differentiated assistance          | 17,284,148            |                              | -                                  | 17,284,148            |
| Pension obligations                | 119,752,685           | -                            | -                                  | 119,752,685           |
| Compensated absences               | 15,738,865            | -                            | -                                  | 15,738,865            |
| Total assigned                     | <u>209,663,618</u>    | <u>-</u>                     | <u>-</u>                           | <u>209,663,618</u>    |
| <b>Unassigned</b>                  |                       |                              |                                    |                       |
| Reserve for economic uncertainties | 57,508,159            | -                            | -                                  | 57,508,159            |
| Remaining unassigned               | 2,156,018             | (1,826,242)                  | (93,413)                           | 236,363               |
| Total unassigned                   | <u>59,664,177</u>     | <u>(1,826,242)</u>           | <u>(93,413)</u>                    | <u>57,744,522</u>     |
| Total                              | <u>\$ 347,347,520</u> | <u>\$ 7,823,511</u>          | <u>\$ 57,156,937</u>               | <u>\$ 412,327,968</u> |

**Note 11 - Aggregate Net Other Postemployment Benefits (OPEB) Liability**

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

| OPEB Plan                                 | Aggregate<br>Net OPEB<br>Liability | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources | OPEB<br>Expense       |
|---|------------------------------------|--------------------------------------|-------------------------------------|-----------------------|
| Office of Education Plan                  | \$ 11,098,040                      | \$ 3,070,693                         | \$ 2,822,827                        | \$ (2,472,246)        |
| Medicare Premium Payment<br>(MPP) Program | 395,653                            | -                                    | -                                   | (144,347)             |
| Total                                     | <u>\$ 11,493,693</u>               | <u>\$ 3,070,693</u>                  | <u>\$ 2,822,827</u>                 | <u>\$ (2,616,593)</u> |

The details of each plan are as follows:

**Office of Education Plan**

**Plan Administration**

The Office of Education’s governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the Plan is vested in the Office of Education’s management. Management of the trustee assets is vested with the California Employers’ Retiree Benefit Trust Fund.

The Plan also includes benefits administered through the Los Angeles County Employee Retirement Association (LACERA). During the year ended June 30, 2020, the LACERA plan changed from a cost-sharing multiple employer defined benefit plan to an agency defined benefit plan. The Office of Education reflects the inclusion of the total OPEB liability and OPEB expense associated with LACERA.

**Plan Membership**

At July 1, 2021, the valuation date, the Plan membership consisted of the following:

|   |              |
|---|--------------|
| Inactive employees or beneficiaries currently receiving benefits payments | 824          |
| Active employees  | 1,453        |
|   | <u>2,277</u> |

**Retiree Health Benefit OPEB Trust**

The Los Angeles County Office of Education’s Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Office of Education’s Governing Board as directed by the investment alternative choice selected by the Office of Education. The Office of Education retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California *Government Code* Section 53600.5 which specifies that the trustee’s primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the County Office of Education acts as the fiduciary of the Trust. Financial statements for the Trust and CalPERS’s annual audited financial report are publicly available reports that can be obtained on the CalPERS website under Forms and Publications.

**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 a portion of the cost of benefits is covered by the Plan. The Office of Education also offers a “Years of Service” benefit for eligible retirees based on years of service. This benefit may be used to help defray the cost of medical, dental, vision, or life insurance coverage, in accordance with the table below. Benefits continue until the earlier of five years or age 65. The Office of Education’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

| <u>Retired on or after January 1, 2009</u>                  | <u>Years of Service Benefit</u> |
|---|---------------------------------|
| Retirees, ages 55 to 65 with 10 years of service with LACOE | \$3,004                         |
| Retirees, ages 55 to 65 with 20 years of service with LACOE | \$6,000                         |

**Contributions**

The contribution requirements of the Plan members and the Office of Education are established and may be amended by the Office of Education, the Los Angeles County Education Association (LACEA), the local California Service Employees Association (CSEA), Service Employees International Unions (SEIU), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the Office of Education, LACEA, CSEA, SEIU, and the unrepresented groups. For the year ended June 30, 2023, the Office of Education contributed \$1,547,356 to the Plan, of which \$1,078,898 was used for current premiums and \$468,458 represents the implicit rate subsidy.

**Investment**

**Investment Policy**

The Plan's policy regarding the allocation of invested assets is established and may be amended by management. The Office of Education participates in the California Employers' Retiree Benefit Trust (CERBT), a Section 115 trust fund dedicated to prefunding other postemployment benefits for all eligible California public agencies. The Office of Education has adopted the CERBT Strategy 3 portfolio with an objective to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The portfolio is invested in various asset classes in percentages approved by the CalPERS board.

The following was the governing board's adopted asset allocation policy as of June 30, 2022:

| <u>Asset Class</u>                      | <u>Target Allocation</u> |
|---|--------------------------|
| Global Equity                           | 22%                      |
| Fixed Income                            | 49%                      |
| Treasury Inflation-Protected Securities | 16%                      |
| Real Estate Investment Trusts           | 8%                       |
| Commodities                             | 5%                       |

**Rate of Return**

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -10.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability of the Office of Education**

The Office of Education's net OPEB liability of \$11,098,040 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the Office of Education at June 30, 2022, were as follows:

|   |                      |
|---|----------------------|
| Total OPEB liability  | \$ 23,768,349        |
| Plan fiduciary net position   | <u>(12,670,309)</u>  |
| Office of Education's net OPEB liability                                | <u>\$ 11,098,040</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>53.31%</u>        |

### Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by applying updated procedures to the financial reporting actuarial valuation as of July 1, 2021 and rolling forward the total OPEB liability to June 30, 2022. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

|                             |   |
|-----------------------------|---|
| Inflation                   | 2.75%   |
| Salary increases            | 3.00%   |
| Investment rate of return   | 5.50%, net of OPEB plan investment expense  |
| Healthcare cost trend rates | 4.00% for 2022-2023, 5.20% for 2024 through 2069,<br>and 4.00% for 2070 and later years<br>Medicare ages: 4.00% for all years |

The discount rate was based on long-term expected rate of return on Plan investments to the extent that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.

Mortality rates were based on the CalSTRS Experience Analysis (2015-2018) and CalPERS Experience Study (2000-2019) for active and retired members and beneficiaries.

The actuarial assumptions used in the July 1, 2021 valuation are based on the results of an actual experience study for the period of July 1, 2019 to June 30, 2021.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, (see the discussion of the Plan's investment policy) are summarized in the following table:

| <u>Asset Class</u>                      | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|---|---|
| Global Equity                           | 5.5%  |
| Fixed Income                            | 1.5%  |
| Treasury Inflation-Protected Securities | 1.2%  |
| Real Estate Investment Trusts           | 3.7%  |
| Commodities                             | 0.6%  |

### Discount Rate

The discount rate used to measure the net OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that the Office of Education contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability.



**Changes in the Net OPEB Liability**

|                                    | Increase (Decrease)            |                                       |                                    |
|------------------------------------|--------------------------------|---------------------------------------|------------------------------------|
|                                    | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| Balance at June 30, 2021           | \$ 22,626,035                  | \$ 12,963,210                         | \$ 9,662,825                       |
| Service cost                       | 522,495                        | -                                     | 522,495                            |
| Interest                           | 1,255,911                      | -                                     | 1,255,911                          |
| Contributions-employer             | -                              | 1,790,092                             | (1,790,092)                        |
| Net investment income              | -                              | (1,435,818)                           | 1,435,818                          |
| Changes of benefit terms           | -                              | -                                     | -                                  |
| Benefit payments                   | (636,092)                      | (636,092)                             | -                                  |
| Administrative expense             | -                              | (11,083)                              | 11,083                             |
| Net change in total OPEB liability | <u>1,142,314</u>               | <u>(292,901)</u>                      | <u>1,435,215</u>                   |
| Balance at June 30, 2022           | <u>\$ 23,768,349</u>           | <u>\$ 12,670,309</u>                  | <u>\$ 11,098,040</u>               |

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

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

The following presents the net OPEB liability of the Office of Education, as well as what the Office of Education's net OPEB 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 OPEB<br>Liability |
|-------------------------------|-----------------------|
| 1% decrease (4.50%)           | \$ 12,859,379         |
| Current discount rate (5.50%) | 11,098,040            |
| 1% increase (6.50%)           | 9,548,075             |

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

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

| <u>Healthcare Cost Trend Rates</u>         | <u>Net OPEB Liability</u> |
|--|---------------------------|
| 1% decrease (3.00%)                        | \$ 10,396,437             |
| Current healthcare cost trend rate (4.00%) | 11,098,040                |
| 1% increase (5.00%)                        | 11,908,350                |

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

At June 30, 2023, the Office of Education reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| OPEB contributions subsequent to measurement date                             | \$ 1,547,356                          | \$ -                                 |
| Differences between expected and actual experience                            | -                                     | 1,660,857                            |
| Changes of assumptions  | 359,150                               | 1,161,970                            |
| Net difference between projected and actual earnings on OPEB plan investments | <u>1,164,187</u>                      | <u>-</u>                             |
| Total   | <u>\$ 3,070,693</u>                   | <u>\$ 2,822,827</u>                  |

The deferred outflows of resources related to OPEB resulting from the Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year.

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

| <u>Year Ended June 30,</u> | <u>Deferred Outflows of Resources</u> |
|----------------------------|---------------------------------------|
| 2024                       | \$ 214,794                            |
| 2025                       | 238,700                               |
| 2026                       | 278,028                               |
| 2027                       | <u>432,665</u>                        |
|                            | <u>\$ 1,164,187</u>                   |

The deferred outflows/(inflows) of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits as of the beginning of the measurement period. The EARSL is 5.8 years for the for the measurement period of 2018-2019, 5.7 years for the measurement period of 2019-2020, and 6.1 years for the measurement periods of 2020-2022 and will be recognized in OPEB expenses as follows:

| <u>Year Ended<br/>June 30,</u> | <u>Outflows/(Inflows)<br/>of Resources</u> |
|--------------------------------|--|
| 2024                           | \$ (1,836,302)                             |
| 2025                           | (308,029)                                  |
| 2026                           | (152,070)                                  |
| 2027                           | (152,070)                                  |
| 2028                           | (15,206)                                   |
|                                | <u>\$ (2,463,677)</u>                      |

**Medicare Premium Payment (MPP) Program**

**Plan Description**

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

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

**Benefits Provided**

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

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

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

**Net OPEB Liability and OPEB Expense**

At June 30, 2023, the Office of Education reported a liability of \$395,653 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The Office of Education’s proportion of the net OPEB liability was based on a projection of the Office of Education’s long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating entities, actuarially determined. The Office of Education’s proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.1201%, and 0.1354%, resulting in a net decrease in the proportionate share of 0.0153%.

For the year ended June 30, 2023, the Office of Education recognized OPEB expense of \$(144,347).

**Actuarial Methods and Assumptions**

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

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

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

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

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

**Discount Rate**

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

**Sensitivity of the Office of Education's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

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

| <u>Discount Rate</u>          | <u>Net OPEB Liability</u> |
|-------------------------------|---------------------------|
| 1% decrease (2.54%)           | \$ 431,337                |
| Current discount rate (3.54%) | 395,653                   |
| 1% increase (4.54%)           | 364,754                   |

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

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

| Medicare Costs Trend Rates  | Net OPEB Liability |
|---|--------------------|
| 1% decrease (3.50% Part A and 4.40% Part B)                       | \$ 363,026         |
| Current Medicare costs trend rate (4.50% Part A and 5.40% Part B) | 395,653            |
| 1% increase (5.50% Part A and 6.40% Part B)                       | 432,637            |

### Note 12 - Risk Management

The Office of Education is self-insured for general liability claims up to \$500,000 and employment practice liability claims up to \$500,000. Insurance is purchased for claims in excess of the self-insured amounts up to \$1,000,000. Schools Excess Liability Fund, a consortium of school districts pooling funds together to provide joint protection, provides coverage for claims in excess of \$1,000,000 to \$55,000,000. The Office of Education became self-insured for workers' compensation in 1978, with the exception of the period from January 1, 1997 to June 30, 2001, when it was fully insured for all workers' compensation claims. Currently, insurance is purchased only for claims in excess of \$500,000.

At June 30, 2023, \$19,065,000 and \$2,866,000 have been accrued for workers' compensation and general liability claims, respectively. These accruals represent actuarial estimates of amounts to be paid ultimately for reported claims and incurred but unreported claims based upon past experience, modified for current trends and other information. While the ultimate amounts of losses incurred through June 30, 2023 are dependent on future developments, based upon information from the outside administrator and others involved with administration of the programs, management believes that the aggregate accrual is adequate to cover such losses. Payment of self-insured liabilities will ultimately be paid from General Fund contributions to the Self-Insurance fund.

|   | Beginning Balance    | Incurred Claims     | Claim Payments/<br>Reductions | Ending Balance       |
|---|----------------------|---------------------|-------------------------------|----------------------|
| Year Ending June 30, 2022                       |                      |                     |                               |                      |
| Workers' Compensation                           | \$ 21,502,000        | \$ 2,379,796        | \$ (5,766,796)                | \$ 18,115,000        |
| General liability Claims                        | 1,893,000            | 1,114,875           | (189,875)                     | 2,818,000            |
| Total   | <u>\$ 23,395,000</u> | <u>\$ 3,494,671</u> | <u>\$ (5,956,671)</u>         | <u>\$ 20,933,000</u> |
| Year Ending June 30, 2023                       |                      |                     |                               |                      |
| Workers' Compensation                           | \$ 18,115,000        | \$ 3,486,771        | \$ (2,536,771)                | \$ 19,065,000        |
| General liability Claims                        | 2,818,000            | 324,250             | (276,250)                     | 2,866,000            |
| Total   | <u>\$ 20,933,000</u> | <u>\$ 3,811,021</u> | <u>\$ (2,813,021)</u>         | <u>\$ 21,931,000</u> |
| Assets available to pay claims at June 30, 2023 |                      |                     |                               | <u>\$ 41,443,809</u> |

**Note 13 - Employee Retirement Systems**

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

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

| Pension Plan | Aggregate Net<br>Pension Liability | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Pension Expense      |
|--------------|------------------------------------|-----------------------------------|----------------------------------|----------------------|
| CalSTRS      | \$ 62,536,076                      | \$ 15,693,755                     | \$ 28,554,166                    | \$ (5,049,737)       |
| CalPERS      | 284,639,143                        | 89,790,444                        | 4,066,468                        | 32,952,437           |
| Total        | <u>\$ 347,175,219</u>              | <u>\$ 105,484,199</u>             | <u>\$ 32,620,634</u>             | <u>\$ 27,902,700</u> |

The details of each plan are as follows:

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

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

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

**Benefits Provided**

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

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

The Office of Education contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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

|   | STRP Defined Benefit Program      |                                |
|---|-----------------------------------|--------------------------------|
|   | On or before<br>December 31, 2012 | On or after<br>January 1, 2013 |
| Hire date   |                                   |                                |
| 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 employee contribution rate                       | 10.25%                            | 10.205%                        |
| Required employer contribution rate                       | 19.10%                            | 19.10%                         |
| Required State contribution rate                          | 10.828%                           | 10.828%                        |

**Contributions**

Required member, County and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the Office of Education's total contributions were \$10,663,698.



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

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

Total net pension liability, including State share

|  |                             |
|--|-----------------------------|
| Office of Education's proportionate share of net pension liability                               | \$ 62,536,076               |
| State's proportionate share of the net pension liability associated with the Office of Education | <u>31,436,144</u>           |
| Total  | <u><u>\$ 93,972,220</u></u> |

The net pension liability was measured as of June 30, 2022. The Office of Education's proportion of the net pension liability was based on a projection of the Office of Education's long-term share of contributions to the pension plan relative to the projected contributions of all participating members and the State, actuarially determined. The Office of Education's proportionate share for the measurement period June 30, 2022 and June 30, 2021, 0.0900%.

For the year ended June 30, 2023, the Office of Education recognized pension expense of \$(5,049,737). In addition, the Office of Education recognized pension expense and revenue of \$2,535,214 for support provided by the State. At June 30, 2023, the Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date   | \$ 10,663,698                             | \$ -                                     |
| Change in proportion and differences between contributions made and Office of Education's proportionate share of contributions | 1,879,758                                 | 20,805,766                               |
| Differences between projected and actual earnings on pension plan investments  | -   | 3,060,170                                |
| Differences between expected and actual experience in the measurement of the total pension liability                           | 51,300                                    | 4,688,230                                |
| Changes of assumptions   | <u>3,098,999</u>                          | <u>-</u>                                 |
| Total  | <u><u>\$ 15,693,755</u></u>               | <u><u>\$ 28,554,166</u></u>              |

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

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2024                   | \$ (2,247,833)                                 |
| 2025                   | (2,434,317)                                    |
| 2026                   | (3,655,980)                                    |
| 2027                   | 5,277,960                                      |
| Total                  | <u>\$ (3,060,170)</u>                          |

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2024                   | \$ (5,331,972)                                 |
| 2025                   | (7,188,819)                                    |
| 2026                   | (5,256,109)                                    |
| 2027                   | (2,199,640)                                    |
| 2028                   | (272,304)                                      |
| Thereafter             | (215,095)                                      |
| Total                  | <u>\$ (20,463,939)</u>                         |

**Actuarial Methods and Assumptions**

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

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

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

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

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

**Discount Rate**

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

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

| <u>Discount Rate</u>          | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (6.10%)           | \$ 106,211,700               |
| Current discount rate (7.10%) | 62,536,076                   |
| 1% increase (8.10%)           | 26,274,600                   |

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

The Office of Education contributes to the Public Employees' Retirement Plan (PERS Plan) administered by CalPERS. The PERS Plan is the Miscellaneous plan, an agent multiple-employer defined benefit pension plan. An agent multiple-employer plan is one in which the assets of the employers are pooled for investment purposes, but separate accounts are maintained for each individual employer. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Office of Education selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through the Office of Education ordinance.

A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2021, Annual Actuarial Valuation Report. This report and CalPERS's annual audited financial report are publicly available reports that can be obtained on the CalPERS website under Forms and Publications.

**Plan Membership**

At June 30, 2022, the PERS Plan membership consisted of the following:

|   |                     |
|---|---------------------|
| Inactive employees or beneficiaries currently receiving benefits payments | 2,388               |
| Inactive employees entitled to but not yet receiving benefits payments    | 1,961               |
| Active employees  | <u>1,110</u>        |
| Total   | <u><u>5,459</u></u> |

**Benefits Provided**

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

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

|   | Miscellaneous Plan (CalPERS)      |                                |
|---|-----------------------------------|--------------------------------|
| Hire date   | On or before<br>December 31, 2012 | On or after<br>January 1, 2013 |
| Benefit formula   | 2.5% at 55                        | 2% at 62                       |
| Benefit vesting schedule                                  | 5 years of service                | 5 years of service             |
| Benefit payments  | Monthly for life                  | Monthly for life               |
| Retirement age  | 55                                | 62                             |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.5%                       | 1.0% - 2.0%                    |
| Required employee contribution rate                       | 8.00%                             | 6.75%                          |
| Required employer contribution rate                       | 34.27%                            | 34.27%                         |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Office of Education is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total Office of Education contributions were \$33,212,287.

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

As of June 30, 2023, the Office of Education reported a net pension liability totaling \$284,639,143. The net pension liability was measured as of June 30, 2022. For the year ended June 30, 2023, the Office of Education recognized pension expense of \$32,952,437. At June 30, 2023, the Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date   | \$ 33,212,287                             | \$ -                                     |
| Differences between employer contributions and proportionate share of contributions                  | -   | 317,617                                  |
| Differences between projected and actual earnings on pension plan investments                        | 43,990,075                                | -  |
| Differences between expected and actual experience in the measurement of the total pension liability | -   | 3,748,851                                |
| Changes of assumptions   | <u>12,588,082</u>                         | <u>-</u>                                 |
| Total  | <u>\$ 89,790,444</u>                      | <u>\$ 4,066,468</u>                      |

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

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

| <u>Year Ended June 30,</u> | <u>Deferred<br/>Outflows/(Inflows)<br/>of Resources</u> |
|----------------------------|---|
| 2024                       | \$ 6,958,703  |
| 2025                       | 6,197,637   |
| 2026                       | 2,907,572   |
| 2027                       | <u>27,926,163</u>                                       |
| Total                      | <u>\$ 43,990,075</u>                                    |

The deferred outflows/(inflows) of resources related to the differences between employer contributions made and Office of Education’s allocated contributions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 1.8 years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2024                   | \$ 8,670,766                                   |
| 2025                   | (116,986)                                      |
| 2026                   | (32,166)                                       |
| Total                  | <u>\$ 8,521,614</u>                            |

**Actuarial Methods and Assumptions**

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

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2021                      |
| Measurement date          | June 30, 2022                      |
| Experience study          | July 1, 1997 through June 30, 2015 |
| Actuarial cost method     | Entry age normal                   |
| Discount rate             | 6.90%                              |
| Investment rate of return | 7.00%                              |
| Consumer price inflation  | 2.50%                              |
| Wage growth               | Varies by entry age and service    |

The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period of 1997 to 2015. Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>               | <u>Assumed Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|---------------------------------|---|
| Global equity - cap-weighted     | 30%                             | 4.54%   |
| Global equity - non-cap-weighted | 12%                             | 3.84%   |
| Private equity                   | 13%                             | 7.28%   |
| Treasury                         | 5%                              | 0.27%   |
| Mortgage-backed securities       | 5%                              | 0.50%   |
| Investment grade corporates      | 10%                             | 1.56%   |
| High yield                       | 5%                              | 2.27%   |
| Emerging market debt             | 5%                              | 2.48%   |
| Private debt                     | 5%                              | 3.57%   |
| Real assets                      | 15%                             | 3.21%   |
| Leverage                         | (5%)                            | (0.59%)                                       |

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions will be made at statutory contribution rates. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| <u>Discount Rate</u>          | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (5.90%)           | \$ 428,931,077               |
| Current discount rate (6.90%) | 284,639,143                  |
| 1% increase (7.90%)           | 164,523,307                  |



**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the Office of Education. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,043,001 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves and included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

**Note 14 - Commitments and Contingencies****Grants**

The Office of Education received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Office of Education at June 30, 2023.

**Litigation**

The Office of Education is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Office of Education at June 30, 2023.

**Note 15 - Adoption of New Accounting Standard**

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

|   |                              |
|---|------------------------------|
| Government Activities Financial Statements                        |                              |
| Net Position - Beginning, as previously reported on June 30, 2022 | \$ 134,267,562               |
| Right-to-use subscription IT assets, net of amortization          | 864,214                      |
| Subscription liabilities  | <u>(864,214)</u>             |
| Net Position - Beginning on July 1, 2022                          | <u><u>\$ 134,267,562</u></u> |



Required Supplementary Information  
June 30, 2023

Los Angeles County Office of Education

Los Angeles County Office of Education  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2023

|  | Budgeted Amounts      |                       | Actual<br>(GAAP Basis) | Variances -<br>Positive<br>(Negative) |
|--|-----------------------|-----------------------|------------------------|---------------------------------------|
|  | Original              | Final                 |                        | Final<br>to Actual                    |
| <b>Revenues</b>                                      |                       |                       |                        |                                       |
| Local control funding formula                        | \$ 160,512,359        | \$ 160,933,806        | \$ 179,457,518         | \$ 18,523,712                         |
| Federal sources                                      | 306,690,343           | 379,310,470           | 263,466,616            | (115,843,854)                         |
| Other State sources                                  | 44,751,473            | 53,541,174            | 37,352,316             | (16,188,858)                          |
| Other local sources                                  | 122,874,046           | 159,134,340           | 132,836,211            | (26,298,129)                          |
| Total revenues <sup>1</sup>                          | <u>634,828,221</u>    | <u>752,919,790</u>    | <u>613,112,661</u>     | <u>(139,807,129)</u>                  |
| <b>Expenditures</b>                                  |                       |                       |                        |                                       |
| <b>Current</b>                                       |                       |                       |                        |                                       |
| Certificated salaries                                | 60,624,086            | 68,255,461            | 59,533,188             | 8,722,273                             |
| Classified salaries                                  | 110,806,087           | 114,300,824           | 104,651,373            | 9,649,451                             |
| Employee benefits                                    | 99,528,171            | 105,523,747           | 90,813,026             | 14,710,721                            |
| Books and supplies                                   | 10,443,851            | 16,812,053            | 8,973,112              | 7,838,941                             |
| Services and operating expenditures                  | 312,298,003           | 413,917,948           | 244,611,999            | 169,305,949                           |
| Other outgo  | 51,258,425            | 34,973,470            | 24,965,063             | 10,008,407                            |
| Capital outlay                                       | 13,291,773            | 20,817,073            | 15,304,594             | 5,512,479                             |
| Debt service - principal                             | 1,611,260             | 1,611,766             | 6,616,089              | (5,004,323)                           |
| Debt service - interest                              | 568,740               | 665,439               | 913,146                | (247,707)                             |
| Total expenditures <sup>1</sup>                      | <u>660,430,396</u>    | <u>776,877,781</u>    | <u>556,381,590</u>     | <u>220,496,191</u>                    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(25,602,175)</u>   | <u>(23,957,991)</u>   | <u>56,731,071</u>      | <u>80,689,062</u>                     |
| <b>Other Financing Sources (Uses)</b>                |                       |                       |                        |                                       |
| Transfers in   | 90,000                | 90,000                | 100,592                | 10,592                                |
| Other sources  | -                     | -                     | 2,616,521              | 2,616,521                             |
| Transfers out  | (3,978,924)           | (1,607,850)           | (7,810,117)            | (6,202,267)                           |
| Net Financing Sources (Uses)                         | <u>(3,888,924)</u>    | <u>(1,517,850)</u>    | <u>(5,093,004)</u>     | <u>(3,575,154)</u>                    |
| Net Change in Fund Balances                          | (29,491,099)          | (25,475,841)          | 51,638,067             | 77,113,908                            |
| Fund Balance - Beginning                             | <u>295,709,453</u>    | <u>295,709,453</u>    | <u>295,709,453</u>     | <u>-</u>                              |
| Fund Balance - Ending                                | <u>\$ 266,218,354</u> | <u>\$ 270,233,612</u> | <u>\$ 347,347,520</u>  | <u>\$ 77,113,908</u>                  |

<sup>1</sup> Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, additional financial activity pertaining to this other fund is included in the Actual (GAAP Basis), however are not included in the original and final General Fund budgets.

Los Angeles County Office of Education  
 Budgetary Comparison Schedule – Child Development Fund  
 Year Ended June 30, 2023

|                                     | Budgeted Amounts    |                   | Actual<br>(GAAP Basis) | Variances -<br>Positive<br>(Negative) |
|-------------------------------------|---------------------|-------------------|------------------------|---------------------------------------|
|                                     | Original            | Final             |                        | Final<br>to Actual                    |
| <b>Revenues</b>                     |                     |                   |                        |                                       |
| Federal sources                     | \$ 62,400           | \$ -              | \$ 1,859,496           | \$ 1,859,496                          |
| Other State sources                 | 31,352,172          | 65,379,790        | 32,441,016             | (32,938,774)                          |
| Other local sources                 | -                   | 591,202           | (1,235,040)            | (1,826,242)                           |
| <b>Total revenues</b>               | <b>31,414,572</b>   | <b>65,970,992</b> | <b>33,065,472</b>      | <b>(32,905,520)</b>                   |
| <b>Expenditures</b>                 |                     |                   |                        |                                       |
| <b>Current</b>                      |                     |                   |                        |                                       |
| Certificated salaries               | 74,622              | 770,643           | 109,711                | 660,932                               |
| Classified salaries                 | 2,426,096           | 5,451,241         | 3,578,907              | 1,872,334                             |
| Employee benefits                   | 1,521,915           | 3,625,293         | 2,187,795              | 1,437,498                             |
| Books and supplies                  | 58,651              | 1,399,773         | 793,897                | 605,876                               |
| Services and operating expenditures | 26,591,713          | 53,470,437        | 19,778,967             | 33,691,470                            |
| Other outgo                         | 741,575             | 3,283,171         | 1,023,949              | 2,259,222                             |
| Capital outlay                      | -                   | 272,615           | 269,413                | 3,202                                 |
| Debt service - principal            | -                   | -                 | 179,510                | (179,510)                             |
| Debt service - interest             | -                   | -                 | 94,109                 | (94,109)                              |
| <b>Total expenditures</b>           | <b>31,414,572</b>   | <b>68,273,173</b> | <b>28,016,258</b>      | <b>40,256,915</b>                     |
| Net Change in Fund Balances         | -                   | (2,302,181)       | 5,049,214              | 7,351,395                             |
| Fund Balance - Beginning            | 2,774,297           | 2,774,297         | 2,774,297              | -                                     |
| Fund Balance - Ending               | <u>\$ 2,774,297</u> | <u>\$ 472,116</u> | <u>\$ 7,823,511</u>    | <u>\$ 7,351,395</u>                   |

Los Angeles County Office of Education  
Schedule of Changes in the Office of Education's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2023

|   | 2023           | 2022           | 2021           |
|---|----------------|----------------|----------------|
| Total OPEB Liability  |                |                |                |
| Service cost  | \$ 522,495     | \$ 705,002     | \$ 657,518     |
| Interest  | 1,255,911      | 1,812,059      | 1,789,431      |
| Difference between expected and actual experience                           | -              | (1,461,972)    | -              |
| Changes of assumptions or other inputs                                      | -              | 534,346        | -              |
| Changes of benefit terms  | -              | (10,174,015)   | -              |
| Benefit payments  | (636,092)      | (2,034,576)    | (2,130,203)    |
| Net change in total OPEB liability  | 1,142,314      | (10,619,156)   | 316,746        |
| Total OPEB liability - beginning  | 22,626,035     | 33,245,191     | 32,928,445     |
| Total OPEB liability - ending (a)   | \$ 23,768,349  | \$ 22,626,035  | \$ 33,245,191  |
| Plan Fiduciary Net Position   |                |                |                |
| Contributions-employer  | \$ 1,790,092   | \$ 4,564,576   | \$ 4,580,203   |
| Net investment income   | (1,435,818)    | 1,312,308      | 569,932        |
| Benefit payments  | (636,092)      | (2,034,576)    | (2,130,203)    |
| Administrative expense  | (11,083)       | (8,626)        | (5,848)        |
| Net change in plan fiduciary net position                                   | (292,901)      | 3,833,682      | 3,014,084      |
| Plan fiduciary net position - beginning                                     | 12,963,210     | 9,129,528      | 6,115,444      |
| Plan fiduciary net position - ending (b)                                    | \$ 12,670,309  | \$ 12,963,210  | \$ 9,129,528   |
| Office of Education's net OPEB liability - ending (a) - (b)                 | \$ 11,098,040  | \$ 9,662,825   | \$ 24,115,663  |
| Plan fiduciary net position as a percentage of the total OPEB liability     | 53.31%         | 57.29%         | 27.46%         |
| Covered payroll   | \$ 141,868,307 | \$ 131,714,391 | \$ 129,469,337 |
| Office of Education's net OPEB liability as a percentage of covered payroll | 7.82%          | 7.34%          | 18.63%         |
| Measurement Date  | June 30, 2022  | June 30, 2021  | June 30, 2020  |

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

Los Angeles County Office of Education  
Schedule of Changes in the Office of Education's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2023

|   | 2020           | 2019           | 2018             |
|---|----------------|----------------|------------------|
| Total OPEB Liability  |                |                |                  |
| Service cost  | \$ 727,244     | \$ 1,077,699   | \$ 1,212,888     |
| Interest  | 1,782,293      | 1,208,766      | 1,274,945        |
| Difference between expected and actual experience                           | (1,097,931)    | (2,543,061)    | -                |
| Changes of assumptions or other inputs                                      | (172,008)      | (8,052,340)    | -                |
| Changes of benefit terms  | -              | -              | -                |
| Benefit payments  | (1,926,836)    | (1,691,291)    | (2,538,608)      |
| Net change in total OPEB liability  | (687,238)      | (10,000,227)   | (50,775)         |
| Total OPEB liability - beginning <sup>2</sup>                               | 33,615,683     | 42,000,910     | 42,051,685       |
| Total OPEB liability - ending (a)   | \$ 32,928,445  | \$ 32,000,683  | \$ 42,000,910    |
| Plan Fiduciary Net Position   |                |                |                  |
| Contributions-employer  | \$ 4,526,836   | \$ 4,891,291   | \$ 2,538,608     |
| Net investment income   | 318,487        | -              | -                |
| Benefit payments  | (1,926,836)    | (1,691,291)    | (2,538,608)      |
| Administrative expense  | (3,043)        | -              | -                |
| Net change in plan fiduciary net position                                   | 2,915,444      | 3,200,000      | -                |
| Plan fiduciary net position - beginning                                     | 3,200,000      | -              | -                |
| Plan fiduciary net position - ending (b)                                    | \$ 6,115,444   | \$ 3,200,000   | \$ -             |
| Office of Education's net OPEB liability - ending (a) - (b)                 | \$ 26,813,001  | \$ 28,800,683  | \$ 42,000,910    |
| Plan fiduciary net position as a percentage of the total OPEB liability     | 18.57%         | 10.00%         | 0.00%            |
| Covered payroll   | \$ 132,491,578 | \$ 136,296,529 | N/A <sup>1</sup> |
| Office of Education's net OPEB liability as a percentage of covered payroll | 20.24%         | 21.13%         | N/A <sup>1</sup> |
| Measurement Date  | June 30, 2019  | June 30, 2018  | June 30, 2017    |

<sup>1</sup> The Office of Education's OPEB Plan was not administered through a trust in 2018, and contributions were not made based on a measure of pay. Therefore, no measure of payroll is presented.

<sup>2</sup> The 2020 total OPEB liability beginning balance reflects the inclusion of the LACERA OPEB plan.

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

Los Angeles County Office of Education  
Schedule of the Office of Education's Contributions for OPEB  
Year Ended June 30, 2023

|   | <u>2023</u>           | <u>2022</u>           | <u>2021</u>           |
|---|-----------------------|-----------------------|-----------------------|
| Actuarially determined contribution                                 | \$ 1,188,596          | \$ 1,153,977          | \$ 2,526,687          |
| Contribution in relation to the actuarially determined contribution | <u>(1,790,092)</u>    | <u>(4,564,576)</u>    | <u>(4,580,203)</u>    |
| Contribution deficiency (excess)                                    | <u>\$ (601,496)</u>   | <u>\$ (3,410,599)</u> | <u>\$ (2,053,516)</u> |
| Covered payroll   | <u>\$ 141,868,307</u> | <u>\$ 131,714,391</u> | <u>\$ 129,469,337</u> |
| Contributions as a percentage of covered payroll                    | <u>1.26%</u>          | <u>3.47%</u>          | <u>3.54%</u>          |
|   | <u>2020</u>           | <u>2019</u>           | <u>2018</u>           |
| Actuarially determined contribution                                 | \$ 2,453,095          | \$ 2,617,085          | \$ 3,436,462          |
| Contribution in relation to the actuarially determined contribution | <u>(4,526,836)</u>    | <u>(4,891,291)</u>    | <u>(2,538,608)</u>    |
| Contribution deficiency (excess)                                    | <u>\$ (2,073,741)</u> | <u>\$ (2,274,206)</u> | <u>\$ 897,854</u>     |
| Covered payroll   | <u>\$ 132,491,578</u> | <u>\$ 136,296,529</u> | <u>\$ 149,953,980</u> |
| Contributions as a percentage of covered payroll                    | <u>3.42%</u>          | <u>3.59%</u>          | <u>1.69%</u>          |

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



Los Angeles County Office of Education  
Schedule of OPEB Investment Returns  
Year Ended June 30, 2023

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|  | <u>2023</u>    | <u>2022</u>   | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  |
|--|----------------|---------------|--------------|--------------|--------------|
| Annual money-weighted rate of return,<br>net of investment expense | <u>-10.95%</u> | <u>13.50%</u> | <u>6.28%</u> | <u>7.20%</u> | <u>0.00%</u> |

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

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

| Year ended June 30,  | 2023             | 2022             | 2021             |
|--|------------------|------------------|------------------|
| Proportion of the net OPEB liability   | 0.1201%          | 0.1354%          | 0.1320%          |
| Proportionate share of the net OPEB liability  | \$ 395,653       | \$ 540,000       | \$ 559,396       |
| Covered payroll  | N/A <sup>1</sup> | N/A <sup>1</sup> | N/A <sup>1</sup> |
| Proportionate share of the net OPEB liability<br>as a percentage of it's covered payroll | N/A <sup>1</sup> | N/A <sup>1</sup> | N/A <sup>1</sup> |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability               | (0.94%)          | (0.80%)          | (0.71%)          |
| Measurement Date   | June 30, 2022    | June 30, 2021    | June 30, 2020    |
| <br>   |                  |                  |                  |
| Year ended June 30,  | 2020             | 2019             | 2018             |
| Proportion of the net OPEB liability   | 0.1590%          | 0.1850%          | 0.3993%          |
| Proportionate share of the net OPEB liability  | \$ 592,111       | \$ 708,124       | \$ 1,680,025     |
| Covered payroll  | N/A <sup>1</sup> | N/A <sup>1</sup> | N/A <sup>1</sup> |
| Proportionate share of the net OPEB liability<br>as a percentage of it's covered payroll | N/A <sup>1</sup> | N/A <sup>1</sup> | N/A <sup>1</sup> |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability               | (0.81%)          | (0.40%)          | 0.01%            |
| Measurement Date   | June 30, 2019    | June 30, 2018    | June 30, 2017    |

<sup>1</sup>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.

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

Los Angeles County Office of Education  
Schedule of the Office of Education's Proportionate Share of the Net Pension Liability - CalSTRS  
Year Ended June 30, 2023

|   | 2023                 | 2022                 | 2021                 | 2020                 | 2019                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>CalSTRS</b>  |                      |                      |                      |                      |                      |
| Office of Education's proportion of the net pension liability   | 0.0900%              | 0.0900%              | 0.0870%              | 0.1030%              | 0.1270%              |
| Office of Education's proportionate share of the net pension liability  | \$ 62,536,076        | \$ 40,955,876        | \$ 84,309,395        | \$ 93,024,831        | \$116,722,269        |
| State's proportionate share of the net pension liability associated with the Office of Education              | 31,436,144           | 20,623,301           | 43,458,167           | 50,615,110           | 66,776,857           |
| Total   | <u>\$ 93,972,220</u> | <u>\$ 61,579,177</u> | <u>\$127,767,562</u> | <u>\$143,639,941</u> | <u>\$183,499,126</u> |
| Office of Education's covered payroll   | <u>\$ 52,662,228</u> | <u>\$ 48,451,375</u> | <u>\$ 48,035,702</u> | <u>\$ 57,418,090</u> | <u>\$ 68,636,431</u> |
| Office of Education's proportionate share of the net pension liability as a percentage of its covered payroll | <u>118.75%</u>       | <u>84.53%</u>        | <u>175.51%</u>       | <u>162.01%</u>       | <u>170.06%</u>       |
| Plan fiduciary net position as a percentage of the total pension liability                                    | <u>81%</u>           | <u>87%</u>           | <u>72%</u>           | <u>73%</u>           | <u>71%</u>           |
| Measurement Date  | June 30, 2022        | June 30, 2021        | June 30, 2020        | June 30, 2019        | June 30, 2018        |

|   | 2018                  | 2017                 | 2016                 | 2015                 |
|---|-----------------------|----------------------|----------------------|----------------------|
| Office of Education's proportion of the net pension liability   | 0.1440%               | 0.1510%              | 0.1720%              | 0.2125%              |
| Office of Education's proportionate share of the net pension liability  | \$ 133,170,804        | \$122,130,052        | \$115,797,280        | \$124,183,818        |
| State's proportionate share of the net pension liability associated with the Office of Education              | 78,276,057            | 69,526,607           | 61,243,996           | 74,987,551           |
| Total   | <u>\$ 211,446,861</u> | <u>\$191,656,659</u> | <u>\$177,041,276</u> | <u>\$199,171,369</u> |
| Office of Education's covered payroll   | <u>\$ 75,468,029</u>  | <u>\$ 75,898,714</u> | <u>\$ 80,494,561</u> | <u>\$ 94,222,352</u> |
| Office of Education's proportionate share of the net pension liability as a percentage of its covered payroll | <u>176.46%</u>        | <u>160.91%</u>       | <u>143.86%</u>       | <u>131.80%</u>       |
| Plan fiduciary net position as a percentage of the total pension liability                                    | <u>69%</u>            | <u>70%</u>           | <u>74%</u>           | <u>77%</u>           |
| Measurement Date  | June 30, 2017         | June 30, 2016        | June 30, 2015        | June 30, 2014        |

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

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

|  | <u>2023</u>          | <u>2022</u>           | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|
| <b>CalPERS</b>   |                      |                       |                      |                      |                      |
| Office of Education's net pension liability  | <u>\$284,639,143</u> | <u>\$135,629,192</u>  | <u>\$271,871,258</u> | <u>\$257,422,610</u> | <u>\$241,486,101</u> |
| Office of Education's covered payroll  | <u>\$ 91,458,103</u> | <u>\$ 89,218,237</u>  | <u>\$ 83,740,384</u> | <u>\$ 88,286,037</u> | <u>\$ 92,138,136</u> |
| Office of Education's net pension liability<br>as a percentage of its covered<br>payroll | <u>311.22%</u>       | <u>152.02%</u>        | <u>324.66%</u>       | <u>291.58%</u>       | <u>262.09%</u>       |
| Plan fiduciary net position as a<br>percentage of the total pension<br>liability         | <u>76%</u>           | <u>88%</u>            | <u>75%</u>           | <u>76%</u>           | <u>76%</u>           |
| Measurement Date   | June 30, 2022        | June 30, 2021         | June 30, 2020        | June 30, 2019        | June 30, 2018        |
|  |                      | <u>2018</u>           | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
| Office of Education's net pension liability  |                      | <u>\$ 248,057,242</u> | <u>\$223,109,276</u> | <u>\$182,493,528</u> | <u>\$163,544,566</u> |
| Office of Education's covered payroll  |                      | <u>\$ 95,440,960</u>  | <u>\$ 93,251,595</u> | <u>\$ 95,421,604</u> | <u>\$ 97,629,431</u> |
| Office of Education's net pension liability<br>as a percentage of its covered<br>payroll |                      | <u>259.91%</u>        | <u>239.26%</u>       | <u>191.25%</u>       | <u>167.52%</u>       |
| Plan fiduciary net position as a<br>percentage of the total pension<br>liability         |                      | <u>75%</u>            | <u>74%</u>           | <u>79%</u>           | <u>83%</u>           |
| Measurement Date   |                      | June 30, 2017         | June 30, 2016        | June 30, 2015        | June 30, 2014        |

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

Los Angeles County Office of Education  
Schedule of the Office of Education's Contributions for Pensions - CalSTRS  
Year Ended June 30, 2023

|  | <u>2023</u>          | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>CalSTRS</b>   |                      |                      |                      |                      |                      |
| Contractually required contribution                                  | \$ 10,663,698        | \$ 8,910,449         | \$ 7,824,897         | \$ 8,214,105         | \$ 9,347,665         |
| Contributions in relation to the contractually required contribution | <u>(10,663,698)</u>  | <u>(8,910,449)</u>   | <u>(7,824,897)</u>   | <u>(8,214,105)</u>   | <u>(9,347,665)</u>   |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| Office of Education's covered payroll                                | <u>\$ 55,830,880</u> | <u>\$ 52,662,228</u> | <u>\$ 48,451,375</u> | <u>\$ 48,035,702</u> | <u>\$ 57,418,090</u> |
| Contributions as a percentage of covered payroll                     | <u>19.10%</u>        | <u>16.92%</u>        | <u>16.15%</u>        | <u>17.10%</u>        | <u>16.28%</u>        |
|  |                      | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
| Contractually required contribution                                  |                      | \$ 9,904,237         | \$ 9,493,878         | \$ 8,143,932         | \$ 7,147,917         |
| Contributions in relation to the contractually required contribution |                      | <u>(9,904,237)</u>   | <u>(9,493,878)</u>   | <u>(8,143,932)</u>   | <u>(7,147,917)</u>   |
| Contribution deficiency (excess)                                     |                      | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| Office of Education's covered payroll                                |                      | <u>\$ 68,636,431</u> | <u>\$ 75,468,029</u> | <u>\$ 75,898,714</u> | <u>\$ 80,494,561</u> |
| Contributions as a percentage of covered payroll                     |                      | <u>14.43%</u>        | <u>12.58%</u>        | <u>10.73%</u>        | <u>8.88%</u>         |

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

Los Angeles County Office of Education  
Schedule of the Office of Education's Contributions for Pensions - CalPERS  
Year Ended June 30, 2023

|  | <u>2023</u>          | <u>2022</u>          | <u>2021</u>          | <u>2020</u>          | <u>2019</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>CalPERS</b>   |                      |                      |                      |                      |                      |
| Contractually required contribution                                  | \$ 33,212,287        | \$ 31,268,004        | \$ 29,129,779        | \$ 26,062,020        | \$ 22,844,600        |
| Contributions in relation to the contractually required contribution | <u>(33,212,287)</u>  | <u>(31,268,004)</u>  | <u>(29,129,779)</u>  | <u>(26,062,020)</u>  | <u>(22,844,600)</u>  |
| Contribution deficiency (excess)                                     | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| Office of Education's covered payroll                                | <u>\$ 96,921,856</u> | <u>\$ 91,458,103</u> | <u>\$ 89,218,237</u> | <u>\$ 83,740,384</u> | <u>\$ 88,286,037</u> |
| Contributions as a percentage of covered payroll                     | <u>34.27%</u>        | <u>34.19%</u>        | <u>32.65%</u>        | <u>31.12%</u>        | <u>25.88%</u>        |
|  |                      | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
| Contractually required contribution                                  |                      | \$ 19,971,733        | \$ 17,098,248        | \$ 15,172,967        | \$ 14,120,489        |
| Contributions in relation to the contractually required contribution |                      | <u>(19,971,733)</u>  | <u>(17,098,248)</u>  | <u>(15,172,967)</u>  | <u>(14,120,489)</u>  |
| Contribution deficiency (excess)                                     |                      | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| Office of Education's covered payroll                                |                      | <u>\$ 92,138,136</u> | <u>\$ 95,440,960</u> | <u>\$ 93,251,595</u> | <u>\$ 95,421,604</u> |
| Contributions as a percentage of covered payroll                     |                      | <u>25.75%</u>        | <u>17.92%</u>        | <u>16.27%</u>        | <u>14.80%</u>        |

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

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedules**

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

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

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

### **Schedule of Changes in the Office of Education's Net OPEB Liability and Related Ratios**

This schedule presents information on the Office of Education's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – There were no changes of economic assumptions since the previous valuation.

### **Schedule of the Office of Education's Contributions for OPEB**

This schedule presents information on the Office of Education's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

### **Schedule of OPEB Investment Returns**

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

#### **Schedule of the Office of Education's Proportionate Share of the Net OPEB Liability - MPP Program**

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

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

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

This schedule presents information on the Office of Education'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 Office of Education. In the future, as data becomes available, ten years of information will be presented.

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

#### **Schedule of Office of Education's Contributions for Pensions**

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





Supplementary Information  
June 30, 2023

Los Angeles County Office of Education

Los Angeles County Office of Education  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title                     | Federal Financial<br>Assistance<br>Listing Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures | Amounts<br>Passed<br>Through to<br>Subrecipients |
|--|---|---|-------------------------|--|
| U.S. Department of Health and Human Services   |   |   |                         |  |
| Head Start Cluster   |   |   |                         |  |
| Head Start   | 93.600  |   | \$174,069,615           | \$ 147,721,964                                   |
| COVID-19: Head Start   | 93.600  |   | 8,408,853               | 6,618,756  |
| Subtotal Head Start Cluster  |   |   | <u>182,478,468</u>      | <u>154,340,720</u>                               |
| Domestic Victims of Human Trafficking  | 93.327  |   | 272,167                 | -  |
| Passed through California Department of Health Services                              |   |   |                         |  |
| Medicaid Cluster   |   |   |                         |  |
| Healthy Kids   | 93.778  | PH-002513                                       | 88,957                  | -  |
| Subtotal Medicaid Cluster  |   |   | <u>88,957</u>           | <u>-</u>   |
| Passed through California Department of Education                                    |   |   |                         |  |
| Child Care and Development Fund (CCDF) Cluster                                       |   |   |                         |  |
| Infant/Toddler Quality Rating and Improvement System                                 |   |   |                         |  |
| Block Grant  | 93.575  | 14092   | 2,359,397               | 1,512,495  |
| COVID-19: Child Development CRRSA One-time Stipend                                   | 93.575  | 15555   | 26,742                  | 25,241   |
| COVID-19: Child Development: ARP California State Preschool Program One-time Stipend | 93.575  | 15640   | 143,376                 | 79,554   |
| Subtotal CCDF Cluster  |   |   | <u>2,529,515</u>        | <u>1,617,290</u>                                 |
| Passed through County of Los Angeles, Department of Public Social Services           |   |   |                         |  |
| Temporary Assistance for Needy Families  | 93.558  | C-15373   | 20,235,253              | -  |
| Passed through County of Los Angeles, Department of Public Health Services           |   |   |                         |  |
| Block Grants for Prevention and Treatment of Substance Abuse                         |   |   |                         |  |
| Block Grants for Prevention and Treatment of Substance Abuse                         | 93.959  | PH-002818/<br>002817-2                          | 281,037                 | -  |
| Block Grants for Prevention and Treatment of Substance Abuse                         | 93.959  | PH-04396  | 249,147                 | -  |
| Subtotal   |   |   | <u>530,184</u>          | <u>-</u>   |
| COVID-19: Reopening Schools Fund   | 93.323  | PH-004608                                       | 35,325,184              | 34,528,628                                       |
| COVID-19: School COVID-19 Prevention Partnership                                     | 93.354  | [1]   | 398,028                 | -  |
| Total U.S. Department of Health and Human Services                                   |   |   | <u>241,857,756</u>      | <u>190,486,638</u>                               |
| U.S. Department of Agriculture   |   |   |                         |  |
| Supplemental Nutrition Assistance Program (SNAP) Cluster                             |   |   |                         |  |
| Passed through County of Los Angeles, Department of Public Social Services           |   |   |                         |  |
| General Relief Opportunities for Work (GROW)   | 10.561  | C-15528/16749                                   | 637,189                 | -  |
| Subtotal SNAP Cluster  |   |   | <u>637,189</u>          | <u>-</u>   |
| Passed through California Department of Education                                    |   |   |                         |  |
| Child Nutrition Cluster  |   |   |                         |  |
| National School Lunch Program  | 10.555  | 13524   | 146,320                 | -  |
| Subtotal Child Nutrition Cluster   |   |   | <u>146,320</u>          | <u>-</u>   |
| Forest Service Schools and Roads Cluster   |   |   |                         |  |
| Forest Reserve   | 10.665  | 10044   | 670,612                 | 570,020  |
| Subtotal Forest Service Schools and Roads Cluster                                    |   |   | <u>670,612</u>          | <u>570,020</u>                                   |
| Total U.S. Department of Agriculture   |   |   | <u>1,454,121</u>        | <u>570,020</u>                                   |
| U.S. Department of the Interior  |   |   |                         |  |
| Flood Control Act Lands  | 15.433  |   | 6,754                   | 5,741  |

[1] Pass-Through Entity Identifying Number not available.

Los Angeles County Office of Education  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title   | Federal Financial<br>Assistance<br>Listing Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures | Amounts<br>Passed<br>Through to<br>Subrecipients |
|--|---|---|-------------------------|--|
| U.S. Department of Education   |   |   |                         |  |
| Teaching English Learners through the Arts (TELA) Project<br>Passed through California Department of Education                 | 84.365Z   |   | \$ 768,730              | \$ -   |
| Title III, English Learner Student Program   | 84.365  | 14346   | 28,133                  | -  |
| Title III, Technical Assistance  | 84.365  | 14967   | 369,624                 | -  |
| Subtotal   |   |   | <u>1,166,487</u>        | <u>-</u>   |
| Passed through California Department of Education  |   |   |                         |  |
| Special Education Cluster (IDEA)   |   |   |                         |  |
| IDEA Basic Local Assistance Entitlement, Part B, Section 611   | 84.027  | 13379   | 3,508,337               | 2,901,359  |
| COVID-19: IDEA Basic Local Assistance Entitlement, Part B, Sect  | 84.027  | 13379   | 883,587                 | 815,505  |
| IDEA Mental Health Average Daily Attendance (ADA)<br>Allocation, Part B, Sec 611   | 84.027A   | 15197   | 267,585                 | 151,314  |
| Alternate Dispute Resolution, Part B, Sec 611  | 84.027A   | 13007   | 53,992                  | -  |
| COVID-19: Alternate Dispute Resolution, Part B, Sec 612  | 84.027A   | 13007   | 42,115                  | -  |
| IDEA Preschool Capacity Building, Part B, Sec 619  | 84.173A   | 13839   | 108,837                 | -  |
| Subtotal Special Education Cluster (IDEA)  |   |   | <u>4,864,453</u>        | <u>3,868,178</u>                                 |
| COVID-19: Governor's Emergency Education Relief (GEER) Fund  | 84.425C   | 15619   | 349,003                 | -  |
| COVID-19: Elementary and Secondary School Emergency Relief<br>(ESSER) Fund   | 84.425D   | 15547   | 7,987,527               | -  |
| COVID-19: Elementary and Secondary School Emergency Relief<br>(ESSER) Fund   | 84.425D   | 15618   | 1,510,884               | -  |
| COVID-19: Elementary and Secondary School Emergency Relief<br>(ESSER) Fund   | 84.425D   | 15537   | 1,911,173               | -  |
| COVID-19: American Rescue Plan (ARP) Elementary and Secondary<br>School Emergency Relief (ESSER) Fund                          | 84.425U   | 15559   | 12,063,798              | -  |
| COVID-19: American Rescue Plan (ARP) Elementary and Secondary<br>School Emergency Relief (ESSER) Fund                          | 84.425U   | 10155   | 246,724                 | -  |
| COVID-19: American Rescue Plan (ARP) Elementary and Secondary<br>School Emergency Relief (ESSER) - Homeless Children and Youth | 84.425W   | 15564   | 434,329                 | 16,100   |
| COVID-19: American Rescue Plan (ARP) Elementary and Secondary<br>School Emergency Relief (ESSER) - Homeless Children and Youth | 84.425W   | 15636   | 521,694                 | 148,703  |
| COVID-19: American Rescue Plan (ARP) Elementary and Secondary<br>School Emergency Relief (ESSER) - Homeless Children and Youth | 84.425W   | 15566   | 11,324                  | -  |
| Subtotal   |   |   | <u>25,036,456</u>       | <u>164,803</u>                                   |
| ESSA School Improvement Funding for LEAs   | 84.010  | 15438   | 573,860                 | -  |
| ESSA School Improvement Funding for COEs   | 84.010  | 15439   | 1,027,369               | -  |
| ESSA Comprehensive Support and Improvement (CSI) COE<br>Plan Development and Implementation                                    | 84.010  | 15565   | 302,863                 | -  |
| Title I, Part A, Basic Grants Low-Income and Neglected   | 84.010  | 14329   | 4,960,105               | -  |
| Title I, Part D, Subpart 2, Local Delinquent Programs  | 84.010  | 14357   | 4,693,086               | -  |
| Subtotal   |   |   | <u>11,557,283</u>       | <u>-</u>   |
| Title I, Migrant Education Summer Program  | 84.011  | 10005   | 1,259,104               | 880,494  |
| Title I, Part C, Migrant Education (Regular and Summer Program)  | 84.011  | 14326   | 5,408,295               | 3,476,925  |
| Title I, Part C, Migrant Education (MESRP)   | 84.011  | 10144   | 254,494                 | 251,252  |
| Subtotal   |   |   | <u>6,921,893</u>        | <u>4,608,671</u>                                 |
| Title II, Part A, Supporting Effective Instruction Local Grants  | 84.367  | 14341   | 57,822                  | -  |
| Title II, Part A, 21st Century California School Leadership<br>Academy   | 84.367  | 15664   | 2,370,121               | 1,337,558  |
| Subtotal   |   |   | <u>2,427,943</u>        | <u>1,337,558</u>                                 |

Los Angeles County Office of Education  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title  | Federal Financial<br>Assistance<br>Listing Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures | Amounts<br>Passed<br>Through to<br>Subrecipients |
|---|---|---|-------------------------|--|
| Title II, Comprehensive Literacy State Development (CLSD)   | 84.341  | 15493   | \$ 2,102,734            | \$ 1,367,872                                     |
| Title IV, 21st Century Community Learning Centers (CCLC)<br>Technical Assistance                          | 84.287  | 14350   | 1,152,608               | -  |
| Title IV, Part A, Student Support and Academic Enrichment Grant   | 84.424  | 15391, 15396                                    | 518,077                 | -  |
| Education for Homeless Children and Youth   | 84.196  | 14332   | 284,970                 | -  |
| Passed through California Department of Rehabilitation<br>Workability II, Transitions Partnership Program | 84.126  | 10006   | 918,481                 | -  |
| Total U.S. Department of Education  |   |   | <u>56,951,385</u>       | <u>11,347,082</u>                                |
| Total Federal Financial Assistance  |   |   | <u>\$300,270,016</u>    | <u>\$ 202,409,481</u>                            |

**ORGANIZATION**

The Los Angeles County Office of Education (the Office of Education) was established in 1852 after California became a State and the legislature created for each county an Office of the County Superintendent of Schools and consists of an area comprising all of Los Angeles County. The Office of Education operates programs and services for teachers, administrators, parents, schools and the 80 school districts, and 13 community college districts in Los Angeles County - the nation's most populous county with nearly 2.0 million students. The Office of Education also provides many education programs including Los Angeles County's Head Start-State Preschool program, which is the largest in the nation. There were no boundary changes during the year.

**GOVERNING BOARD**

| <u>MEMBER</u>           | <u>OFFICE</u>  | <u>TERM EXPIRES</u> |
|-------------------------|----------------|---------------------|
| James Cross             | President      | June 30, 2025       |
| Yvonne Chan             | Vice-President | June 30, 2026       |
| Judy Abdo               | Member         | June 30, 2023       |
| R. Michael Dutton       | Member         | June 30, 2023       |
| Betty Forrester         | Member         | June 30, 2023       |
| Stanley L. Johnson, Jr. | Member         | June 30, 2024       |
| Monte E. Perez          | Member         | June 30, 2026       |

**ADMINISTRATION**

| <u>NAME</u>      | <u>DIVISION</u>                | <u>TITLE</u>                        |
|------------------|--------------------------------|-------------------------------------|
| Debra Duardo     | Superintendent's Office        | Superintendent                      |
| Karen Kimmel     | Business Services              | Chief Financial Officer             |
| Maricela Ramirez | Education and Special Programs | Chief Education Officer             |
| Ruben Valles     | Educational Services           | Chief Academic Officer              |
| Kanika White     | Human Resources Services       | Chief Human Resource Officer        |
| José R. González | Technology Services            | Chief Technology Officer            |
| Alicia Garoupa   | Wellbeing and Support Services | Chief Wellbeing and Support Officer |

Los Angeles County Office of Education  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2023

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|                            | Final Report            |                  |
|----------------------------|-------------------------|------------------|
|                            | Second Period<br>Report | Annual<br>Report |
| County Office of Education |                         |                  |
| Regular ADA                |                         |                  |
| Elementary                 | 9.22                    | 11.98            |
| High School                | 452.35                  | 465.30           |
| Special High Schools       |                         |                  |
| Ninth through twelfth      | 1,027.71                | 996.49           |
| Total regular ADA          | 1,489.28                | 1,473.77         |
| Community Day School       |                         |                  |
| Seventh and eighth         | 2.81                    | 3.03             |
| Ninth through twelfth      | 35.64                   | 36.79            |
| Total community day school | 38.45                   | 39.82            |
| Total ADA                  | 1,527.73                | 1,513.59         |

Los Angeles County Office of Education  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2023

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

Los Angeles County Office of Education  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2023

|   | (Budget)               |                       |                       |                       |
|---|------------------------|-----------------------|-----------------------|-----------------------|
|   | 2024 <sup>1</sup>      | 2023                  | 2022 <sup>1</sup>     | 2021 <sup>1</sup>     |
| General Fund                                      |                        |                       |                       |                       |
| Revenues  | \$ 615,420,364         | \$ 613,112,661        | \$ 710,936,570        | \$ 566,085,580        |
| Other sources                                     | 348,282                | 2,717,113             | 108,777               | 100,876               |
| Total revenues and other sources                  | <u>615,768,646</u>     | <u>615,829,774</u>    | <u>711,045,347</u>    | <u>566,186,456</u>    |
| Expenditures                                      | 625,486,132            | 556,381,590           | 684,676,833           | 520,450,701           |
| Other uses and transfers out                      | 1,265,000              | 7,810,117             | 953,203               | -                     |
| Total expenditures and other uses                 | <u>626,751,132</u>     | <u>564,191,707</u>    | <u>685,630,036</u>    | <u>520,450,701</u>    |
| Increase (Decrease) in Fund Balance               | <u>\$ (10,982,486)</u> | <u>\$ 51,638,067</u>  | <u>\$ 25,415,311</u>  | <u>\$ 45,735,755</u>  |
| Ending Fund Balance                               | <u>\$ 336,365,034</u>  | <u>\$ 347,347,520</u> | <u>\$ 295,709,453</u> | <u>\$ 270,294,142</u> |
| Available Reserves <sup>2</sup>                   | <u>\$ 82,769,831</u>   | <u>\$ 59,664,177</u>  | <u>\$ 77,648,546</u>  | <u>\$ 80,651,810</u>  |
| Available Reserves as a Percentage of Total Outgo | <u>13.21%</u>          | <u>10.58%</u>         | <u>11.33%</u>         | <u>15.50%</u>         |
| Long-Term Liabilities <sup>3</sup>                | <u>N/A</u>             | <u>\$ 419,469,339</u> | <u>\$ 251,209,562</u> | <u>\$ 449,751,546</u> |
| K-12 Average Daily Attendance at Annual           | <u>1,606</u>           | <u>1,514</u>          | <u>1,491</u>          | <u>2,539</u>          |

The General Fund balance has increased by \$77,053,378 over the past two years. The fiscal year 2023-2024 budget projects a decrease of \$10,982,486 (3.16%). For an Office of Education this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo). The Office of Education's Board policy requires available reserves of at least ten percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The Office of Education has incurred operating surpluses in the past three years, but anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have decreased by \$30,282,207 over the past two years.

Average daily attendance has decreased by 1,025 over the past two years. An increase of 92 ADA is anticipated during fiscal year 2023-2024.

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

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> Long-term liabilities for the year ending June 30, 2021 has not been restated for the implementation of GASB 96.



Los Angeles County Office of Education

Schedule of Charter Schools

Year Ended June 30, 2023

| Name of Charter School                                      | Charter Number | Included in Audit Report |
|---|----------------|--------------------------|
| Alma Fuerte Public School                                   | 1859           | No                       |
| Animo City of Champions Charter High School                 | 1874           | No                       |
| Aspire Antonio Maria Lugo Academy                           | 0694           | No                       |
| Aspire Ollin University Preparatory Academy                 | 0693           | No                       |
| Bridges Preparatory Academy                                 | 2114           | No                       |
| Da Vinci RISE High  | 2017           | No                       |
| Environmental Charter Middle School - Gardena               | 1204           | No                       |
| Environmental Charter Middle School - Inglewood             | 1501           | No                       |
| Environmental Charter High School 2                         | 2098           | No                       |
| Intellectual Virtues Academy                                | 1814           | No                       |
| Jardin de la Infancia Charter School                        | 0663           | No                       |
| KIPP Poder Public School                                    | 2112           | No                       |
| Russell Westbrook Why Not? Middle                           | 1818           | No                       |
| Russell Westbrook Why Not? High                             | 1817           | No                       |
| Lashon Academy  | 1560           | No                       |
| Lashon Academy City   | 2029           | No                       |
| Magnolia Science Academy #1                                 | 0438           | No                       |
| Magnolia Science Academy #2                                 | 0906           | No                       |
| Magnolia Science Academy #3                                 | 0917           | No                       |
| Magnolia Science Academy #5                                 | 0987           | No                       |
| North Valley Military Institute College Preparatory Academy | 0540*          | No                       |
| Odyssey Charter School                                      | 0249           | No                       |
| Soleil Academy Charter School                               | 1931           | No                       |
| The SEED School of Los Angeles County                       | 2108           | No                       |
| T.I.M.E. Community Schools                                  | 2110**         | No                       |
| Valiente College Preparatory                                | 1744           | No                       |
| We The People High School                                   | 2045           | No                       |

Financial information for the above schools is not a part of the audited financial statements for the Office of Education and is not included in the independent audit because they are fiscally independent charter schools.

\* Closed in the 2023-24 year.

\*\* Closed as of June 6, 2023.

Los Angeles County Office of Education  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2023

|                                      | Student<br>Activity<br>Fund | Special Education<br>Pass-Through<br>Fund | Forest<br>Reserve<br>Fund | County School<br>Facilities<br>Fund | Special Reserve<br>Fund for Capital<br>Outlay Projects | Total<br>Non-Major<br>Governmental<br>Funds |
|--------------------------------------|-----------------------------|---|---------------------------|-------------------------------------|--|---|
| <b>Assets</b>                        |                             |   |                           |                                     |  |   |
| Deposits and investments             | \$ 106,933                  | \$ 1,839,478                              | \$ (2,921)                | \$ 16,614,349                       | \$ 40,102,528  | \$ 58,660,367                               |
| Receivables                          | -                           | 149,323                                   | 2,921                     | 174,023                             | 344,338  | 670,605                                     |
| Total assets                         | <u>\$ 106,933</u>           | <u>\$ 1,988,801</u>                       | <u>\$ -</u>               | <u>\$ 16,788,372</u>                | <u>\$ 40,446,866</u>                                   | <u>\$ 59,330,972</u>                        |
| <b>Liabilities and Fund Balances</b> |                             |   |                           |                                     |  |   |
| <b>Liabilities</b>                   |                             |   |                           |                                     |  |   |
| Accounts payable                     | \$ -                        | \$ 2,082,214                              | \$ -                      | \$ 73,120                           | \$ 18,701  | \$ 2,174,035                                |
| <b>Fund Balances</b>                 |                             |   |                           |                                     |  |   |
| Restricted                           | 106,933                     | -   | -                         | 16,715,252                          | 31,745,095   | 48,567,280                                  |
| Committed                            | -                           | -   | -                         | -                                   | 8,683,070  | 8,683,070                                   |
| Unassigned                           | -                           | (93,413)                                  | -                         | -                                   | -  | (93,413)                                    |
| Total fund balances                  | <u>106,933</u>              | <u>(93,413)</u>                           | <u>-</u>                  | <u>16,715,252</u>                   | <u>40,428,165</u>                                      | <u>57,156,937</u>                           |
| Total liabilities and fund balances  | <u>\$ 106,933</u>           | <u>\$ 1,988,801</u>                       | <u>\$ -</u>               | <u>\$ 16,788,372</u>                | <u>\$ 40,446,866</u>                                   | <u>\$ 59,330,972</u>                        |

Los Angeles County Office of Education

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

|   | Student<br>Activity<br>Fund | Special Education<br>Pass-Through<br>Fund | Forest<br>Reserve<br>Fund | County School<br>Facilities<br>Fund | Special Reserve<br>Fund for Capital<br>Outlay Projects | Total<br>Non-Major<br>Governmental<br>Funds |
|---|-----------------------------|---|---------------------------|-------------------------------------|--|---|
| <b>Revenues</b>                                 |                             |   |                           |                                     |  |   |
| Federal sources                                 | \$ -                        | \$ 3,862,037                              | \$ 670,612                | \$ -                                | \$ -   | \$ 4,532,649                                |
| Other State sources                             | -                           | 21,338,835                                | -                         | 13,886,137                          | -  | 35,224,972                                  |
| Other local sources                             | 184,446                     | 54,007                                    | -                         | (322,934)                           | 3,937,050  | 3,852,569                                   |
| <b>Total revenues</b>                           | <b>184,446</b>              | <b>25,254,879</b>                         | <b>670,612</b>            | <b>13,563,203</b>                   | <b>3,937,050</b>                                       | <b>43,610,190</b>                           |
| <b>Expenditures</b>                             |                             |   |                           |                                     |  |   |
| <b>Current</b>                                  |                             |   |                           |                                     |  |   |
| Ancillary services                              | 170,959                     | -   | -                         | -                                   | -  | 170,959                                     |
| Other outgo                                     | -                           | 25,200,872                                | 570,020                   | -                                   | -  | 25,770,892                                  |
| Facility acquisition and construction           | -                           | -   | -                         | 73,120                              | (2,673,551)  | (2,600,431)                                 |
| <b>Total expenditures</b>                       | <b>170,959</b>              | <b>25,200,872</b>                         | <b>570,020</b>            | <b>73,120</b>                       | <b>(2,673,551)</b>                                     | <b>23,341,420</b>                           |
| <b>Excess of Revenues<br/>Over Expenditures</b> | <b>13,487</b>               | <b>54,007</b>                             | <b>100,592</b>            | <b>13,490,083</b>                   | <b>6,610,601</b>                                       | <b>20,268,770</b>                           |
| <b>Other Financing Uses</b>                     |                             |   |                           |                                     |  |   |
| Transfers out                                   | -                           | -   | (100,592)                 | -                                   | -  | (100,592)                                   |
| <b>Net Change in Fund Balances</b>              | <b>13,487</b>               | <b>54,007</b>                             | <b>-</b>                  | <b>13,490,083</b>                   | <b>6,610,601</b>                                       | <b>20,168,178</b>                           |
| Fund Balance - Beginning                        | 93,446                      | (147,420)                                 | -                         | 3,225,169                           | 33,817,564   | 36,988,759                                  |
| <b>Fund Balance - Ending</b>                    | <b>\$ 106,933</b>           | <b>\$ (93,413)</b>                        | <b>\$ -</b>               | <b>\$ 16,715,252</b>                | <b>\$ 40,428,165</b>                                   | <b>\$ 57,156,937</b>                        |

## **Note 1 - Purpose of Schedules**

### **Schedule of Expenditures of Federal Awards (SEFA)**

#### Basis of Presentation

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

#### Summary of Significant Accounting Policies

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

#### Indirect Cost Rate

The Office of Education has not elected to use the ten percent de minimis cost rate.

### **Local Education Agency Organization Structure**

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

### **Schedule of Average Daily Attendance**

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

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

**Schedule of Charter Schools**

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

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

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



Independent Auditor's Reports  
June 30, 2023

Los Angeles County Office of Education



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

To the Honorable Board President and Members of the Board of Education,  
and Debra Duardo, M.S.W., Ed.D., Superintendent  
Los Angeles County Office of Education  
Downey, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Office of Education (the Office of Education) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Office of Education’s basic financial statements and have issued our report thereon dated December 5, 2023.

***Adoption of New Accounting Standard***

As discussed in Note 15 to the financial statements, the Office of Education has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. As a result of implementing the standard, there was no effect on the governmental activities beginning net position as of July 1, 2022. Our opinions are not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Office of Education’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 Office of Education’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Office of Education’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 Office of Education’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 Office of Education’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Office of Education’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 Office of Education’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California  
December 5, 2023





## **Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

To the Honorable Board President and Members of the Board of Education,  
and Debra Duardo, M.S.W., Ed.D., Superintendent  
Los Angeles County Office of Education  
Downey, California

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Los Angeles County Office of Education’s (the Office of Education) 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 Office of Education’s major federal programs for the year ended June 30, 2023. The Office 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 Los Angeles County Office of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of the Office 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 Office 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 Office of Education's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Office 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 Office 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 Office 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 consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Rancho Cucamonga, California  
December 5, 2023



## Independent Auditor's Report on State Compliance

To the Honorable Board President and Members of the Board of Education,  
and Debra Duardo, M.S.W., Ed.D., Superintendent  
Los Angeles County Office of Education  
Downey, California

### Report on Compliance

#### *Opinion on State Compliance*

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

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

#### *Basis for Opinion*

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

We are required to be independent of the Office of Education 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 Office 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 Office of Education's state programs.

**Auditor’s Responsibilities for the Audit of Compliance**

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

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

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

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

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

The Office of Education does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

The Office of Education does not offer Continuation Education; therefore, we did not perform procedures related to Continuation Education.

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

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

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

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

The Office of Education does not operate any Middle or Early College High Schools; therefore, we did not perform procedures for Middle or Early College High Schools.

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

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

The Office of Education did not submit the Independent Study Certification for ADA Loss Mitigation; therefore, we did not perform procedures related to the Independent Study Certification for ADA Loss Mitigation.

The Office of Education did not expend any California Clean Energy Jobs Act funding; therefore, we did not perform procedures related to the California Clean Energy Jobs Act.

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

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

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

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

The Office of Education does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

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

## Report on Internal Control over Compliance

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

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

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

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



Rancho Cucamonga, California  
December 5, 2023





Schedule of Findings and Questioned Costs  
June 30, 2023

# Los Angeles County Office of Education

**Financial Statements**

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

**Federal Awards**

|  |               |
|--|---------------|
| Internal control over major Federal programs   |               |
| Material weaknesses identified   | No            |
| Significant deficiencies identified not considered to be material weaknesses                                       | None Reported |
| Type of auditor's report issued on compliance for major programs   | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a) | No            |

**Identification of major Federal programs**

| <u>Name of Federal Program or Cluster</u>   | <u>Federal Financial Assistance Listing Number</u> |
|---|--|
| Head Start Cluster  | 93.600   |
| COVID-19: Governor's Emergency Education Relief (GEER) Fund   | 84.425C  |
| COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund   | 84.425D  |
| COVID-19: American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) Fund                          | 84.425U  |
| COVID-19: American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief (ESSER) - Homeless Children and Youth | 84.425W  |
| Dollar threshold used to distinguish between type A and type B programs   | \$3,000,000  |
| Auditee qualified as low-risk auditee?  | Yes  |

**State Compliance**

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

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.