



Financial Statements
June 30, 2023

San Luis Obispo County Office of
Education

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Independent Auditor's Report

To the Governing Board
San Luis Obispo County Office of Education
San Luis Obispo, 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 San Luis Obispo County Office of Education (the County) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the San Luis Obispo 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 County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2024 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Rancho Cucamonga, California
February 9, 2024

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

The Primary unit of the government is the San Luis Obispo County Office of Education.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - Most of the County's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants finance these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statement.

THE COUNTY AS A TRUSTEE

Reporting the County Fiduciary Responsibilities

The County is the trustee, or fiduciary, for funds held on behalf of others, like our funds for the payroll and warrant revolving activity. The County's fiduciary activities are reported in the *Statement of Net Position – Fiduciary Funds* and *Statement of Changes in Net Position – Fiduciary Funds*. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- The County's financial status has increased. Total net position increased \$7,214,602 or 67.70% over the course of the year.
- Overall governmental fund revenues and other financing sources were \$72,053,641, which is \$6,722,143 more than expenditures and other uses.
- The County increased its capital assets which include right-to-use leased assets and right-to-use subscription based IT assets \$364,594 or 1.83%.
- The County increased its outstanding long-term obligations \$9,099,512 or 45.45%.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$17,871,641 for the fiscal year ended June 30, 2023. Of this amount, \$(14,435,213) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the County's governmental activities.

Table 1

	Governmental Activities	
	2023	2022
Assets		
Current assets	\$ 43,865,009	\$ 27,517,907
Non-current assets	2,430,278	2,658,848
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	<u>20,240,578</u>	<u>19,875,984</u>
Total assets	<u>66,535,865</u>	<u>50,052,739</u>
Deferred outflows of resources	<u>6,268,468</u>	<u>3,431,493</u>
Liabilities		
Current liabilities	22,509,244	12,884,285
Long-term liabilities	<u>29,122,254</u>	<u>20,022,742</u>
Total liabilities	<u>51,631,498</u>	<u>32,907,027</u>
Deferred inflows of resources	<u>3,301,194</u>	<u>9,920,166</u>
Net Position		
Net investment in capital assets	22,146,724	22,365,775
Restricted	10,160,130	7,143,772
Unrestricted deficit	<u>(14,435,213)</u>	<u>(18,852,508)</u>
Total net position	<u>\$ 17,871,641</u>	<u>\$ 10,657,039</u>

Changes in Net Position

The results of this year's operations for the County as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement of Activities, so you can see our total revenues for the year.

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$63,373,724. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$14,662,097, because the cost was paid by those who benefited from the programs (\$6,268,460), or by other governments and organizations who subsidized certain programs with grants and contributions (\$38,488,519). We paid for the remaining "public benefit" portion of our governmental activities with \$3,885,551 in Federal and State funds, and with other revenues \$7,283,699, like interest and general entitlements.

Table 2

	Governmental Activities	
	2023	2022*
Revenues		
Program revenues		
Charges for services and sales	\$ 6,268,460	\$ 6,367,250
Operating grants and contributions	38,418,919	31,881,395
Capital grants and contributions	69,600	-
General revenues		
Federal and State aid not restricted	3,885,551	3,397,591
Property taxes	14,662,097	13,652,666
Other general revenues	7,283,699	3,452,087
Total revenues	70,588,326	58,750,989
Expenses		
Instruction-related	18,163,267	12,626,902
Pupil services	2,674,552	2,031,414
Administration	7,279,653	5,274,419
Plant services	1,607,473	1,878,453
Other	33,648,779	30,844,216
Total expenses	63,373,724	52,655,404
Change in net position	\$ 7,214,602	\$ 6,095,585

Governmental Activities

In Table 3, we have presented the cost of each of the County's primary functions: instruction-related including, pupil services, administration, plant services, and all other services, as well as each program's net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the County's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction-related	\$ 18,163,267	\$ 12,626,902	\$ (3,590,199)	\$ (1,343,975)
Pupil services	2,674,552	2,031,414	(1,282,785)	(806,874)
Administration	7,279,653	5,274,419	(4,772,287)	(3,819,532)
Plant services	1,607,473	1,878,453	(647,275)	(1,337,214)
All other services	33,648,779	30,844,216	(8,324,199)	(7,099,164)
Total	\$ 63,373,724	\$ 52,655,404	\$ (18,616,745)	\$ (14,406,759)

- The users of the County's programs financed some of the cost.
- The Federal and State governments subsidized many program costs with grants and contributions. The taxpayers of San Luis Obispo County supported the County and County programs with their property taxes. The County received a total of \$28,672,138 in property taxes of which \$14,958,426 transferred to San Luis Obispo County School District's and the County's Special Education Programs, leaving \$13,713,712 in reported property taxes. Part of these taxes is used to support County Alternative Education programs. Another portion is used for the operations of the County Office administration. The balance, in the amount of \$5,424,057 is considered excess property taxes and is reserved until the following year; therefore, it is not spendable by *Education Code* Section 2558(e) "If the remainder determined pursuant to subdivision (c) is a negative amount, no state aid shall be distributed to that county superintendent of schools pursuant to subdivision (d), and an amount of funds of that county superintendent of schools equal to that negative amount shall be deemed restricted and not available for expenditure during the current fiscal year. In the next fiscal year, that amount shall be considered local property tax revenue for purposes of the operation of paragraph (1) of subdivision (c)".

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the fiscal year, our governmental funds reported a combined fund balance of \$21,355,765, which is an increase of \$6,722,143 from last year (Table 4).

Table 4

Governmental Funds	Balances and Activity			June 30, 2023
	June 30, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
County School Service	\$ 11,923,296	\$ 43,405,330	\$ 37,513,505	\$ 17,815,121
Special Education Pass-Through	306,117	24,228,790	24,270,318	264,589
Non-Major Governmental	2,404,209	4,419,521	3,547,675	3,276,055
Total	<u>\$ 14,633,622</u>	<u>\$ 72,053,641</u>	<u>\$ 65,331,498</u>	<u>\$ 21,355,765</u>

The County maintains five individual governmental funds. The County School Service Fund and the Special Education Pass-Through Fund are considered to be major funds. The County School Service Fund and the Special Education Pass-Through Fund information are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances on pages 15 and 17. Data from the other funds are combined and designated as non-major governmental funds.

County School Service Fund Budgetary Highlights (County School Service Fund Only)

Over the course of the year, the County revised the annual operating budget. These budget revisions are as follows:

- Local Control Funding Formula for COE's fully implemented.
- Changes made at the 1st Interim Budget Revision included:
 1. Increasing Property Tax revenues and Property Tax Transfers to SELPA
 2. State and Federal revenues and expenditures adjusted to reflect prior year carry-over amounts
 3. Adjusted PERS and STRS statutory benefit rates
- Changes made at the 2nd Interim Budget Revision included:
 1. Increasing Property Tax revenues and Property Tax Transfers to SELPA
 2. Revised revenues and expenditures to reflect one-time COVID-19 funding, and other restricted funding sources
 3. Revised salary and benefits to reflect negotiated increases

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

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

At June 30, 2023, the County had \$20,240,578 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization), including land, buildings, furniture and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, and depreciation) of just under \$364,594 or 1.83%, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022
Land and construction in progress	\$ 2,760,985	\$ 2,592,791
Buildings and improvements	15,878,814	16,518,023
Furniture and equipment	1,223,899	620,783
Right-to-use leased assets	147,493	144,387
Right-to-use subscription IT assets	229,387	-
Total	\$ 20,240,578	\$ 19,875,984

Long-Term Liabilities

At the end of this year, the County had \$29,122,254 in long-term liabilities outstanding versus \$20,022,742 last year, an increase of 45.45%. Long-term liabilities at June 30, 2023, consisted of:

Table 6

	Governmental Activities	
	2023	2022
Long-Term Liabilities		
Leases	\$ 173,234	\$ 169,057
Subscription-based IT arrangements	175,449	-
Compensated absences	407,588	332,924
Net OPEB liability	8,464,380	7,539,770
Aggregate net pension liability	19,901,603	11,980,991
Total	\$ 29,122,254	\$ 20,022,742

FACTORS BEARING ON THE COUNTY'S FUTURE

At the time these financial statements were prepared and audited, the County was aware of the following existing circumstances that could significantly affect its financial health in the future:

1. Due to COVID-19, The County-wide enrollment for K-12 public schools is projected to decline slightly over the next few years.
2. Due to COVID-19, County Community School ADA is projected to stabilize over the next few years.
3. Due to COVID-19, Juvenile Court School ADA has stabilized over the last several years, with expectations to remain at status quo.
4. The Local Control Funding Formula (LCFF) brought about changes for the County.
 - The County Superintendent has additional responsibilities regarding oversight of the Local Control Accountability Plan (LCAP) prepared by each of the County's ten public school districts. LCAP's will be updated annually to reflect changes and progress.
 - The County will update its own LCAP for 2023-24 and 2024-25.
5. Redevelopment agency funds (RDA) used for facilities will remain status quo or slightly decrease.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Dr. Sheldon K. Smith, Assistant Superintendent, at (805) 782-7211 or by mail at the County's Business Office, 3350 Education Drive, San Luis Obispo, California 93405.

San Luis Obispo County Office of Education

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 24,964,698
Receivables	18,699,315
Prepaid items	200,996
Note receivables	2,430,278
Capital assets not depreciated	2,760,985
Capital assets, net of accumulated depreciation	17,102,713
Right-to-use leased assets, net of accumulated amortization	147,493
Right-to-use subscription IT assets, net of accumulated amortization	<u>229,387</u>
Total assets	<u>66,535,865</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	<u>6,268,468</u>
Liabilities	
Accounts payable	21,595,292
Unearned revenue	913,952
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	117,122
Long-term liabilities other than OPEB and pensions due in more than one year	639,149
Net other postemployment benefits (OPEB) liability	8,464,380
Aggregate net pension liability	<u>19,901,603</u>
Total liabilities	<u>51,631,498</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	<u>3,301,194</u>
Net Position	
Net investment in capital assets	22,146,724
Restricted for	
Capital projects	68,287
Educational programs	7,159,705
Other restrictions	2,932,138
Unrestricted deficit	<u>(14,435,213)</u>
Total net position	<u>\$ 17,871,641</u>

San Luis Obispo County Office of Education
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 7,863,836	\$ 2,367,258	\$ 5,123,397	\$ 69,600	\$ (303,581)
Instruction-related activities					
Supervision of instruction	9,386,634	1,768,949	4,768,097	-	(2,849,588)
Instructional library, media, and technology	27,870	-	927	-	(26,943)
School site administration	884,927	98,789	376,051	-	(410,087)
Pupil services					
Home-to-school transportation	480,601	-	-	-	(480,601)
Food services	129,983	52	43,779	-	(86,152)
All other pupil services	2,063,968	102,055	1,245,881	-	(716,032)
Administration					
Data processing	1,991,369	85	449,278	-	(1,542,006)
All other administration	5,288,284	464,148	1,593,855	-	(3,230,281)
Plant services	1,607,473	557,397	402,801	-	(647,275)
Ancillary services	34,231	-	-	-	(34,231)
Community services	3,121,422	909,727	2,314,952	-	103,257
Enterprise services	61,526	-	555	-	(60,971)
Interest on long-term liabilities	2,765	-	-	-	(2,765)
Other outgo	30,428,835	-	22,099,346	-	(8,329,489)
Total governmental activities	\$ 63,373,724	\$ 6,268,460	\$ 38,418,919	\$ 69,600	(18,616,745)
General Revenues and Subventions					
Property taxes, levied for general purposes					\$ 14,051,624
Taxes levied for other specific purposes					610,473
Federal and State aid not restricted to specific purposes					3,885,551
Interest and investment earnings					302,317
Interagency revenues					1,420,864
Miscellaneous					5,560,518
Subtotal, general revenues and subventions					25,831,347
Change in Net Position					7,214,602
Net Position - Beginning					10,657,039
Net Position - Ending					\$ 17,871,641

San Luis Obispo County Office of Education

Balance Sheet – Governmental Funds

June 30, 2023

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 20,684,517	\$ 1,417,980	\$ 2,862,201	\$ 24,964,698
Receivables	8,816,325	9,062,689	820,301	18,699,315
Prepaid expenditures	200,996	-	-	200,996
Total assets	\$ 29,701,838	\$ 10,480,669	\$ 3,682,502	\$ 43,865,009
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 10,972,765	\$ 10,216,080	\$ 406,447	\$ 21,595,292
Unearned revenue	913,952	-	-	913,952
Total liabilities	11,886,717	10,216,080	406,447	22,509,244
Fund Balances				
Nonspendable	229,546	-	-	229,546
Restricted	7,159,705	264,589	2,735,836	10,160,130
Assigned	8,844,305	-	540,569	9,384,874
Unassigned	1,581,565	-	(350)	1,581,215
Total fund balances	17,815,121	264,589	3,276,055	21,355,765
Total liabilities and fund balances	\$ 29,701,838	\$ 10,480,669	\$ 3,682,502	\$ 43,865,009

San Luis Obispo County Office of Education
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balance - Governmental Funds		\$ 21,355,765
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	\$ 42,857,118	
Accumulated depreciation is	<u>(22,993,420)</u>	
Net capital assets		19,863,698
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	273,036	
Accumulated amortization is	<u>(125,543)</u>	
Net right-to-use leased assets		147,493
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	316,602	
Accumulated amortization is	<u>(87,215)</u>	
Net right-to-use subscription IT assets		229,387
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		
Net pension liability		6,268,468
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net pension liability		(3,301,194)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(19,901,603)
The County's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(8,464,380)
Revenues relating to payments received for notes receivable were recognized on the modified accrual basis, but are not recognized on the accrual basis.		
		2,430,278
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		
Leases	(173,234)	
Subscription-based IT arrangements	(175,449)	
Compensated absences (vacations)	<u>(407,588)</u>	
Total long-term liabilities		<u>(756,271)</u>
Total net position - governmental activities		<u>\$ 17,871,641</u>

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

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 15,904,463	\$ -	\$ -	\$ 15,904,463
Federal sources	6,613,332	8,853,106	491,101	15,957,539
Other State sources	7,186,983	15,342,417	2,174,841	24,704,241
Other local sources	13,282,901	33,267	1,190,024	14,506,192
Total revenues	<u>42,987,679</u>	<u>24,228,790</u>	<u>3,855,966</u>	<u>71,072,435</u>
Expenditures				
Current				
Instruction	7,459,055	-	-	7,459,055
Instruction-related activities				
Supervision of instruction	9,671,555	-	-	9,671,555
Instructional library, media, and technology	5,367	-	-	5,367
School site administration	858,902	-	-	858,902
Pupil services				
Home-to-school transportation	479,653	-	-	479,653
Food services	5,429	-	120,985	126,414
All other pupil services	2,097,913	-	15,617	2,113,530
Administration				
Data processing	2,148,924	-	-	2,148,924
All other administration	4,905,174	-	237,644	5,142,818
Plant services	2,209,128	-	185,150	2,394,278
Community services	215,703	-	2,948,138	3,163,841
Other outgo	6,146,283	24,270,318	12,234	30,428,835
Enterprise services	60,773	-	2,008	62,781
Facility acquisition and construction	447,460	-	23,740	471,200
Debt service				
Principal	235,866	-	-	235,866
Interest and other	2,765	-	-	2,765
Total expenditures	<u>36,949,950</u>	<u>24,270,318</u>	<u>3,545,516</u>	<u>64,765,784</u>
Excess of Revenues Over Expenditures	<u>6,037,729</u>	<u>(41,528)</u>	<u>310,450</u>	<u>6,306,651</u>
Other Financing Sources (Uses)				
Transfers in	2,159	-	563,555	565,714
Other sources - proceeds from subscription-based IT arrangements	316,602	-	-	316,602
Other sources - proceeds from leases	98,890	-	-	98,890
Transfers out	(563,555)	-	(2,159)	(565,714)
Net Financing Sources (Uses)	<u>(145,904)</u>	<u>-</u>	<u>561,396</u>	<u>415,492</u>
Net Change in Fund Balances	5,891,825	(41,528)	871,846	6,722,143
Fund Balance - Beginning	<u>11,923,296</u>	<u>306,117</u>	<u>2,404,209</u>	<u>14,633,622</u>
Fund Balance - Ending	<u>\$ 17,815,121</u>	<u>\$ 264,589</u>	<u>\$ 3,276,055</u>	<u>\$ 21,355,765</u>

San Luis Obispo 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 \$ 6,722,143

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 capital outlays exceed depreciation and amortization expenses in the period.

Capital outlays	\$ 1,634,971
Depreciation and amortization expenses	<u>(1,270,377)</u>

Net expense adjustment	364,594
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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.

(98,890)

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.

(316,602)

Receipt of note receivable is a revenue in the governmental funds, but it reduces note receivable in the statement of net position.

(228,570)

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.

(74,664)

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 net pension liability during the year.

1,535,335

San Luis Obispo 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

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 net OPEB liability during the year.	\$ (924,610)
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.	
Leases	94,713
Subscription-based IT arrangements	<u>141,153</u>
Change in net position of governmental activities	<u>\$ 7,214,602</u>

San Luis Obispo County Office of Education
Statement of Net Position – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 17,739,148</u>
Liabilities	
Due to other agencies	<u>\$ 17,739,148</u>

San Luis Obispo County Office of Education
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2023

	Custodial Funds
Additions	
Funds collected from others	\$ 356,920,589
Deductions	
Funds distributed to other agencies	356,920,589
Change in Net Position	-
Net Position - Beginning	-
Net Position - Ending	\$ -

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

The San Luis Obispo County Office of Education (the County) was established in 1965 under the laws of the State of California. The County operates under a locally elected five-member Board form of government and provides services to ten districts and three joint power agencies (JPAs) as mandated by the State and/or Federal agencies. The County operates various education programs and supports the San Luis Obispo Special Education Local Plan Area (SELPA).

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For the County, this includes general operations, food service, and Special Education programs of the County.

Other Related Entities

Charter School The County has approved Charters for Grizzly Challenge Charter School (Charter No. 0566) and Almond Acres Charter Academy (Charter No. 1395) pursuant to *Education Code* Section 47605.

For financial reporting purposes, the charter is not a component unit in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 39. The criterion that establishes financial accountability as a result of fiscal dependency was not met. Therefore, the charter schools are determined not to be a component units and are not included as part of these financial statements.

The charter schools are subject to audit within the agreements. Audited financial statements are available from the charter organization.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

County School Service Fund The County School Service Fund is the chief operating fund for all county offices of education. It is used to account for the ordinary operations of a county office of education. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the County School Service Fund, and accordingly have been combined with the County School Service Fund for presentation in these audited financial statements.

As a result, the County School Service Fund reflects an increase in the fund balance of \$2,443,896.

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

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.

- **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.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the County's food service program (*Education Code* Sections 38091 and 38100).
- **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 County School Service Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

Trust funds are used to account for the assets held by the County under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the County's own programs. The County has no trust funds. Custodial funds are used to account for resources, not in a trust, that are held by the County for other parties outside the County's reporting entity. The County's custodial fund accounts for payroll and warrant revolving activity.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues 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 County does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net 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 purposes result from special revenue funds and the restrictions on their use.

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County.

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

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose 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 County before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the County has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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.

Capital Assets, Depreciation, and Amortization

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

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 10 to 40 years; improvements, 10 to 40 years; equipment, 5 to 10 years.

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

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

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

Compensate absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Liabilities

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and long-term loans 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 County reports deferred outflows of resources for 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 County reports deferred inflows of resources for 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) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS 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 and OPEB expense, information about the fiduciary net position of the County Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the County Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the County Plan and the MPP. For this purpose, the County Plan 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 County School Service Fund.

Leases

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

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

Subscriptions

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

Fund Balances - Governmental Funds

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

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The County currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the County's adopted policy, only the governing board or 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 County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the County School Services Fund in order to protect the County against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of County School Service Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position 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 County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$10,160,130 is restricted by enabling legislation.

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 on the financial statements. Interfund transfers are eliminated in the governmental column of the Statement of Activities.

Estimates

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

Property Tax

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

Change in Accounting Principles

Implementation of GASB Statement No. 96

As of July 1, 2022, the County adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The additional disclosures required by this standard are included in Notes 5 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 funds	\$ 24,964,698
Fiduciary funds	<u>17,739,148</u>
Total deposits and investments	<u><u>\$ 42,703,846</u></u>

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

Cash on hand and in banks	\$ 17,741,249
Cash in revolving	28,550
Investments	<u>24,934,047</u>
Total deposits and investments	<u><u>\$ 42,703,846</u></u>

Policies and Practices

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

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

Investment in the State Investment Pool - The County is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the County's investment in the pool is reported in the accompanying financial statements at amounts based upon the County's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County 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 manages its exposure to interest rate risk by investing in the State and San Luis Obispo County Investment Pools.

Information about the sensitivity of the fair values of the County's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the County's investment by maturity. Further adjustment to the fair market value was deemed immaterial and has not been posted to the financial statements of the County.

Weighted Average Maturity

The County monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the County's portfolio is presented in the following schedule:

Investment Type	Reported Amount	Weighted Average Days To Maturity
Governmental Funds		
Local Agency Investment Fund (LAIF)	\$ 13,663	260
San Luis Obispo County Investment Pool	<u>24,920,384</u>	436
Total	<u>\$ 24,934,047</u>	

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. Presented below is the minimum rating required by the California Government Code, the County's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. The San Luis Obispo County Investment Pool was rated "AAAf/S1" by Fitch Ratings. The County's investment in the Local Agency Investment Pool is not required to be rated, nor has it been rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the County's bank balance of \$17,489,148 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the County.

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.

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Federal Government Categorical aid	\$ 490,010	\$ 8,076,971	\$ 201,878	\$ 8,768,859
State Government Categorical aid	3,661,778	985,718	463,076	5,110,572
Local Government Other local sources	4,664,537	-	155,347	4,819,884
Total	<u>\$ 8,816,325</u>	<u>\$ 9,062,689</u>	<u>\$ 820,301</u>	<u>\$ 18,699,315</u>

Note 4 - Notes Receivable

The County has entered into a finance purchase agreements to sell facilities. Such agreements are, in substance, sales (capital assets) and are reported as notes receivable. The County's receivable on the finance purchase agreements with options to sell is summarized below:

	<u>Chalk Mountain Community School</u>	<u>Mesa View Community School</u>	<u>Total</u>
Balance, July 1, 2022	\$ 1,058,632	\$ 1,600,216	\$ 2,658,848
Additions	-	-	-
Payments	<u>(95,835)</u>	<u>(132,735)</u>	<u>(228,570)</u>
Balance, June 30, 2023	<u>\$ 962,797</u>	<u>\$ 1,467,481</u>	<u>\$ 2,430,278</u>

The notes receivable have minimum lease receipts as follows:

<u>Year Ending June 30,</u>	<u>Chalk Mountain Community School Notes Receivable Payment</u>	<u>Mesa View Community School Notes Receivable Payment</u>
2024	\$ 96,726	\$ 134,082
2025	96,726	134,082
2026	96,726	134,082
2027	96,726	134,082
2028	96,726	134,082
Thereafter	<u>483,630</u>	<u>804,492</u>
Total	967,260	1,474,902
Less amount representing interest	<u>(4,463)</u>	<u>(7,421)</u>
Present value of minimum notes receivable	<u>\$ 962,797</u>	<u>\$ 1,467,481</u>

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

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

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,380,682	\$ -	\$ -	\$ 2,380,682
Construction in progress	212,109	168,194	-	380,303
Total capital assets not being depreciated	2,592,791	168,194	-	2,760,985
Capital assets being depreciated				
Land improvements	1,185,626	-	-	1,185,626
Buildings and improvements	35,070,526	284,308	-	35,354,834
Furniture and equipment	2,904,175	766,977	(115,479)	3,555,673
Total capital assets being depreciated	39,160,327	1,051,285	(115,479)	40,096,133
Total capital assets	41,753,118	1,219,479	(115,479)	42,857,118
Accumulated depreciation				
Land improvements	(380,527)	(103,106)	-	(483,633)
Buildings and improvements	(19,357,602)	(820,411)	-	(20,178,013)
Furniture and equipment	(2,283,392)	(163,861)	115,479	(2,331,774)
Total accumulated depreciation	(22,021,521)	(1,087,378)	115,479	(22,993,420)
Net depreciable capital assets	17,138,806	(36,093)	-	17,102,713
Right-to-use leased assets being amortized				
Vehicles and equipment	232,947	98,890	(58,801)	273,036
Accumulated amortization				
Vehicles and equipment	(88,560)	(95,784)	58,801	(125,543)
Net right-to-use leased assets	144,387	3,106	-	147,493
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	-	316,602	-	316,602
Accumulated amortization	-	(87,215)	-	(87,215)
Net right-to-use subscription IT assets	-	229,387	-	229,387
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	\$ 19,875,984	\$ 364,594	\$ -	\$ 20,240,578

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

Governmental Activities	
Instruction	\$ 340,159
Supervision of instruction	181,915
Instructional library, media, and technology	23,110
School site administration	84,803
Food services	6,315
Other pupil services	130,392
Ancillary services	34,231
Community services	61,961
Enterprise	1,260
Other general administrative	67,426
Data processing services	207,286
Plant maintenance and operations	<u>131,519</u>
Total depreciation and amortization expenses governmental activities	<u>\$ 1,270,377</u>

Note 6 - Interfund Transactions

Operating Transfers

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

The County School Service Fund transferred to the Child Development Non-Major Governmental Fund to support operations of the program.	\$ 22,573
The County School Service Fund transferred to the Cafeteria Non-Major Governmental Fund to cover costs.	80,982
The County School Service Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for project costs.	460,000
The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund for interest earned.	<u>2,159</u>
Total	<u>\$ 565,714</u>

Note 7 - Accounts Payable

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

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 4,575,383	\$ -	\$ 399,315	\$ 4,974,698
State LCFF apportionment	5,424,057	-	-	5,424,057
Salaries and benefits	973,325	-	-	973,325
Pass-through special education apportionment	-	10,216,080	7,132	10,223,212
Total	\$ 10,972,765	\$ 10,216,080	\$ 406,447	\$ 21,595,292

Note 8 - Unearned Revenue

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

	County School Service Fund
Federal financial assistance	\$ 584,892
State categorical aid	329,060
Total	\$ 913,952

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

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

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
Leases	\$ 169,057	\$ 98,890	\$ (94,713)	\$ 173,234	\$ 68,322
Subscription-based IT arrangements	-	316,602	(141,153)	175,449	48,800
Compensated absences	332,924	74,664	-	407,588	-
Total	\$ 501,981	\$ 490,156	\$ (235,866)	\$ 756,271	\$ 117,122

Payments on leases and subscription-based IT arrangements are made from the County School Services Fund. Payments for compensated absences are made in the County School Services Fund.

Additions and deductions from compensated absences are reported to its net cumulative change in the current year.

Compensated Absences

Compensated absences (unpaid employee vacation) for the County at June 30, 2023, amounted to \$407,588.

Leases

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

Leases	Leases Outstanding July 1, 2022	Addition	Payments	Leases Outstanding June 30, 2023
Fleet vehicles 1	\$ 6,446	\$ -	\$ (6,446)	\$ -
Fleet vehicles 2	10,482	-	(10,482)	-
Fleet vehicles 3	6,015	-	(6,015)	-
Fleet vehicles 4	8,004	-	(8,004)	-
Fleet vehicles 5	36,608	-	(18,181)	18,427
Fleet vehicles 6	16,770	-	(8,329)	8,441
Fleet vehicles 7	18,348	-	(6,034)	12,314
Fleet vehicles 8	25,983	-	(5,058)	20,925
Fleet vehicles 9	25,457	-	(6,237)	19,220
Printers and copiers	14,944	-	(4,859)	10,085
Mail system	-	14,636	(2,823)	11,813
Fleet vehicles 10	-	34,131	(4,620)	29,511
Fleet vehicles 11	-	50,123	(7,625)	42,498
Total	\$ 169,057	\$ 98,890	\$ (94,713)	\$ 173,234

The County entered into thirteen agreements to lease equipment and vehicles through June 30, 2033. Under these leases, the County paid the annual lease payments of \$99,478. At June 30, 2023, the County has recognized a right-to-use asset of \$147,493 and a lease liability of \$173,234 related to these agreements. During the fiscal year, the County recorded \$95,784 in amortization expense and \$2,765 in interest expense for the right to use these leased assets. The County used a discount rates ranging between 1.35% to 3.00%, based on the rates available to finance equipment and vehicles over the same time periods.

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2023

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 68,322	\$ 2,589	\$ 70,911
2025	42,102	1,579	43,681
2026	31,246	919	32,165
2027	25,121	463	25,584
2029-2033	6,443	90	6,533
Total	\$ 173,234	\$ 5,640	\$ 178,874

Subscriptions-Based Information Technology Arrangements (SBITAs)

The County entered into five SBITA contracts for the use of digital curriculum software, platform as a service, and safety software. At June 30, 2023, the County has recognized a right-to-use subscriptions IT assets of \$229,387 and subscription-based IT arrangement liability of \$175,449 related to these agreements. During the fiscal year, the County recorded \$87,215 in amortization expense. The County is required to make annual principal and interest payments through June 2027. The subscriptions have an interest rate of 3.00% based on the County's borrowing rate.

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

Year Ending June 30,	Principal	Interest	Total
2024	\$ 48,800	\$ 5,263	\$ 54,063
2025	50,264	3,799	54,063
2026	37,628	2,292	39,920
2027	38,757	1,163	39,920
Total	\$ 175,449	\$ 12,517	\$ 187,966

Note 10 - Net Other Postemployment Benefit (OPEB) Liability

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

OPEB Plan	Net OPEB Liability	OPEB Expense
County Plan	\$ 8,418,873	\$ 932,592
Medicare Premiums Payment (MPP) Program	45,507	(7,982)
Total	\$ 8,464,380	\$ 924,610

The details of each plan are as follows:

County Plan

Plan Administration

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

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	61
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Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the County are established and may be amended by the County, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. Voluntary contributions are based on projected pay-as-you-go financing requirements as determined annually through the agreements with the County, TEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2023, the County paid \$553,250 in benefits.

Total OPEB Liability of the County

The County's total OPEB liability of \$8,418,873 was measured as of June 30, 2023, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	2.75% average, including inflation
Discount rate	3.65%
Healthcare cost trend rates	4.00%

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

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

The actual assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2022	\$ 7,486,281
Interest	255,222
Changes of assumptions	1,230,620
Benefit payments	<u>(553,250)</u>
Net change in total OPEB liability	<u>932,592</u>
Balance, June 30, 2023	<u>\$ 8,418,873</u>

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

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.54%)	\$ 9,161,245
Current discount rate (3.54%)	8,418,873
1% increase (4.54%)	7,775,767

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3.00%)	\$ 7,771,987
Current healthcare cost trend rate (4.00%)	8,418,873
1% increase (5.00%)	9,150,991

OPEB Expense

For the year ended June 30, 2023, the County recognized OPEB expense of \$932,592.

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the County reported a liability of \$45,507 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating members, actuarially determined. The County's proportionate share for the measurement period June 30, 2022 and June 30, 2021, was 0.0138% and 0.0134%, resulting in a net increase in the proportionate share of 0004%.

For the year ended June 30, 2023, the County' recognized OPEB expense of \$(7,982).

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

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

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 net OPEB liability. . The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.54%)	\$ 49,611
Current discount rate (3.54%)	45,507
1% increase (4.54%)	41,953

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

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

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 41,754
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	45,507
1% increase (5.50% Part A and 6.40% Part B)	49,761

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 28,550	\$ -	\$ -	\$ 28,550
Prepaid expenditures	200,996	-	-	200,996
Total nonspendable	<u>229,546</u>	<u>-</u>	<u>-</u>	<u>229,546</u>
Restricted				
Legally restricted programs	7,159,705	264,589	2,667,549	10,091,843
Capital projects	-	-	68,287	68,287
Total restricted	<u>7,159,705</u>	<u>264,589</u>	<u>2,735,836</u>	<u>10,160,130</u>
Assigned				
Local solutions mini grants	188,644	-	-	188,644
Countywide education incentive	307,416	-	-	307,416
Community schools	887,570	-	-	887,570
Juvenile court schools	103,345	-	-	103,345
District support data processing	113,910	-	-	113,910
Education financial incentive program	93,711	-	-	93,711
TIP/CASC	414,751	-	-	414,751
LCAP oversight	293,011	-	-	293,011
Differenciated assistance	2,132,129	-	-	2,132,129
CA CL school teacher credential program	54,659	-	-	54,659
Compensated absences	370,720	-	-	370,720
Future fiscal oversight	100,000	-	-	100,000
Business division staffing	100,000	-	-	100,000
Transportation home-to-school	300,000	-	-	300,000
Infrastructure outage	500,000	-	-	500,000
Countywide arts and music	100,000	-	-	100,000
Countywide data processing upgrades	54,264	-	-	54,264
Other postemployment benefits	2,029,632	-	-	2,029,632
Capital projects	-	-	540,569	540,569
Other	700,543	-	-	700,543
Total assigned	<u>8,844,305</u>	<u>-</u>	<u>540,569</u>	<u>9,384,874</u>
Unassigned				
Reserve for economic uncertainties	1,581,565	-	-	1,581,565
Remaining unassigned	-	-	(350)	(350)
Total unassigned	<u>1,581,565</u>	<u>-</u>	<u>(350)</u>	<u>1,581,215</u>
Total	<u>\$ 17,815,121</u>	<u>\$ 264,589</u>	<u>\$ 3,276,055</u>	<u>\$ 21,355,765</u>

Note 12 - Risk Management

The County's risk management activities are recorded in the County School Service Fund. The County participates in three public entity risk pools (JPAs) for the workers' compensation programs, property and liability, health and welfare, and purchases excess liability coverage through the JPA. Refer to Note 15 for additional information regarding the JPAs.

Property and Liability

The County is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County's risk management activities are recorded in the County School Services Fund. In 1996, the Schools Insurance Program for Employees (SIPE) Board of Directors and Self-Insured Schools of Kern (SISK - now Self-Insured Schools of California - SISC) established an agreement for SIPE to provide property and liability loss control and safety services to member school districts.

Excess coverage is provided by Schools Insurance Program for Employees (SIPE) which the Self-Insured Schools of California (SISC II) administers with an in-house claims staff. SISC II is a joint powers authority created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance for the public educational agencies which are parties thereto. Property coverage applies to all property of the insured including both real and personal property and including personal property of others. Real property and business personal property is insured to a limit of \$100,000,000 per occurrences, subject to the County's \$2,500 deductible feature. SISC II has a \$250,000 self-insured retention (SIR) over the deductible per occurrence.

SISC II under Memorandum of Coverage for commercial general liability provides \$1,500,000 limits over the County's \$1,000 deductible. Excess coverage is provided by private carrier to the level of \$48,500,000 in excess of \$1,500,000 limit per occurrence for a total of \$50,000,000. SISC II has a \$250,000 SIR over the deductible per occurrence.

Workers' Compensation

The County participates in the Schools Insurance Program for Employees, originally called the Self-Insurance Program for Employees (SIPE), for the purpose of providing the services necessary and appropriate for the development, operation, and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members. The County is self-insured for the first \$1 to a limit of \$349,999 of each workers' compensation claim. The workers' compensation experience of the participating members is calculated as one experience, and a common premium rate is applied to all members in the JPA. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the JPA. The County utilizes Gregory B. Bragg & Associates, Inc. which is the third-party administrator for the Schools of San Luis Obispo County SIPE whose members are self-insured for their workers' compensation claims.

The County also utilizes SISC as their claims carrier which covers claims excess of \$350,000 and up with no limit.

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 County reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 6,396,087	\$ 1,801,661	\$ 1,956,386	\$ 248,223
CalPERS	13,505,516	4,466,807	1,344,808	1,095,203
Total	<u>\$ 19,901,603</u>	<u>\$ 6,268,468</u>	<u>\$ 3,301,194</u>	<u>\$ 1,343,426</u>

The details of each plan are as follows:

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

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

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

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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 County's total contributions were \$1,128,419.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 6,396,087
State's proportionate share of the net pension liability	3,203,135
	<u>9,599,222</u>
Total	<u>\$ 9,599,222</u>

The net pension liability was measured as of June 30, 2022. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members and the State, actuarially determined. The County's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.0092% and 0.0089%, resulting in a net increase in the proportionate share of 0.0003%.

For the year ended June 30, 2023, the County recognized pension expense of \$248,223. In addition, the County recognized pension expense and revenue of \$258,331 for support provided by the State. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,128,419	\$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	350,795	1,164,032
Differences between projected and actual earnings on pension plan investments	-	312,781
Differences between expected and actual experience in the measurement of the total pension liability	5,247	479,573
Changes of assumptions	<u>317,200</u>	<u>-</u>
Total	<u>\$ 1,801,661</u>	<u>\$ 1,956,386</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (229,761)
2025	(248,907)
2026	(373,908)
2027	<u>539,795</u>
Total	<u>\$ (312,781)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (76,028)
2025	(374,656)
2026	(273,290)
2027	(129,923)
2028	(141,059)
Thereafter	<u>24,593</u>
Total	<u><u>\$ (970,363)</u></u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2021
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%
Fixed income	12%	1.3%
Real estate	15%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	(0.4%)

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 10,862,928
Current discount rate (7.10%)	6,396,087
1% increase (8.10%)	2,687,266

California Public Employees Retirement System (CalPERS)

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total County contributions were \$1,750,342.

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

As of June 30, 2023, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,505,516. The net pension liability was measured as of June 30, 2022. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The County's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.0392% and 0.0390%, resulting in a net decrease in the proportionate share of 0.0002%.

For the year ended June 30, 2023, the County recognized pension expense of \$1,095,203. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,750,342	\$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	61,732	1,008,774
Differences between projected and actual earnings on pension plan investments	1,594,635	-
Differences between expected and actual experience in the measurement of the total pension liability	61,037	336,034
Changes of assumptions	999,061	-
	<u>\$ 4,466,807</u>	<u>\$ 1,344,808</u>
Total		

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 265,935
2025	235,865
2026	120,484
2027	972,351
Total	<u>\$ 1,594,635</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (235,076)
2024	(163,645)
2025	184,188
2026	(8,445)
Total	<u>\$ (222,978)</u>

Actuarial Methods and Assumptions

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

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

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

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

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

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 19,509,401
Current discount rate (6.90%)	13,505,516
1% increase (7.90%)	8,543,525

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the County. These payments consist of State General Fund contributions to CalSTRS in the amount of \$513,870 (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.

Alternative Pension Plan

The County is a member of the Self-Insured Schools of California Defined Benefit Plan (SISC), which provides an alternative pension to County employees who do not meet the qualifications of the California Public Employees Retirement System (Government Code Section 20000 and following) or the California State Teachers' Retirement System (*Education Code* Section 22000 and following). This program is not administered by the California Public Employees Retirement System or the California State Teachers' Retirement System. The SISC Defined Benefit Plan contribution rate for the calendar year 2020 is 4.44%. The rate is applied to all wages paid between January 1 and December 31, 2020. The rate is significantly lower than the 6.2% Social Security rate.

Note 14 - Commitments and Contingencies**Grants**

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

Litigation

The County is involved in various litigation arising from the normal course of business.

Note 15 - Participation in Public Entity Risk Pools and Joint Power Authorities

The County is a member of the Self-Insured Schools of California Health and Welfare Benefits Program (SISC), Self-Insured Schools of California Property and Liability Program (SISC II), and the Schools-Insurance Program for Employees (SIPE) joint powers authorities (JPAs). The County pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationship between the County and the JPAs are such that they are not component units of the County for financial reporting purposes.

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

The County has appointed no board members to any of the governing boards of SISC, SISC II, or SIPE.

During the year ended June 30, 2023, the County made payments of \$2,816,686, \$94,112, and \$606,886, to SISC, SISC II, and SIPE, respectively.



Required Supplementary Information
June 30, 2023

**San Luis Obispo County Office of
Education**

San Luis Obispo County Office of Education
Budgetary Comparison Schedule – County School Service Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 14,175,077	\$ 15,754,862	\$ 15,904,463	\$ 149,601
Federal sources	4,056,366	12,141,100	6,613,332	(5,527,768)
Other State sources	4,420,529	8,367,525	7,186,983	(1,180,542)
Other local sources	7,646,318	11,532,329	13,282,901	1,750,572
Total revenues ¹	30,298,290	47,795,816	42,987,679	(4,808,137)
Expenditures				
Current				
Certificated salaries	5,819,192	6,125,872	6,113,938	11,934
Classified salaries	6,645,801	7,040,787	6,807,056	233,731
Employee benefits	5,801,362	6,051,995	6,169,401	(117,406)
Books and supplies	1,001,968	1,352,120	1,035,574	316,546
Services and operating expenditures	5,091,571	17,075,343	9,719,601	7,355,742
Other outgo	7,124,294	6,465,510	5,670,008	795,502
Capital outlay	15,000	1,057,913	1,195,741	(137,828)
Debt service				
Debt service - principal	-	-	235,866	(235,866)
Debt service - interest and other	-	-	2,765	(2,765)
Total expenditures ¹	31,499,188	45,169,540	36,949,950	8,219,590
Excess (Deficiency) of Revenues Over Expenditures	(1,200,898)	2,626,276	6,037,729	3,411,453
Other Financing Sources (Uses)				
Transfers in	-	199,851	2,159	(197,692)
Other sources - proceeds from subscription-based IT arrangements	-	-	316,602	316,602
Other sources - proceeds from leases	-	-	98,890	98,890
Transfers out	(237,039)	(1,172,178)	(563,555)	608,623
Net financing sources (uses)	(237,039)	(972,327)	(145,904)	826,423
Net Change in Fund Balances	(1,437,937)	1,653,949	5,891,825	4,237,876
Fund Balance - Beginning	11,923,296	11,923,296	11,923,296	-
Fund Balance - Ending	\$ 10,485,359	\$ 13,577,245	\$ 17,815,121	\$ 4,237,876

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the County School Service Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final County School Service Fund budgets.

San Luis Obispo County Office of Education
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 7,148,233	\$ 8,622,825	\$ 8,853,106	\$ 230,281
Other State sources	9,754,341	12,776,100	15,342,417	2,566,317
Other local sources	-	(95)	33,267	33,362
Total revenues	<u>16,902,574</u>	<u>21,398,830</u>	<u>24,228,790</u>	<u>2,829,960</u>
Expenditures				
Current				
Other outgo	<u>16,902,574</u>	<u>21,398,925</u>	<u>24,270,318</u>	<u>(2,871,393)</u>
Net Change in Fund Balances	-	(95)	(41,528)	41,623
Fund Balance - Beginning	<u>306,117</u>	<u>306,117</u>	<u>306,117</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 306,117</u></u>	<u><u>\$ 306,022</u></u>	<u><u>\$ 264,589</u></u>	<u><u>41,623</u></u>

San Luis Obispo County Office of Education
Schedule of Changes in the County's Total OPEB Liability and Related Ratios
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability			
Interest	\$ 255,222	\$ 186,908	\$ 232,300
Difference between expected and actual experience	-	-	479,328
Changes of assumptions	1,230,620	(1,073,391)	(394,409)
Benefit payments	<u>(553,250)</u>	<u>(560,808)</u>	<u>(233,453)</u>
Net change in total OPEB liability	932,592	(1,447,291)	83,766
Total OPEB Liability - Beginning	<u>7,486,281</u>	<u>8,933,572</u>	<u>8,849,806</u>
Total OPEB Liability - Ending	<u>\$ 8,418,873</u>	<u>\$ 7,486,281</u>	<u>\$ 8,933,572</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Interest	\$ 268,022	\$ 314,991	\$ 320,457
Difference between expected and actual experience	-	(516,662)	-
Changes of assumptions	392,543	358,932	(89,794)
Benefit payments	<u>(638,785)</u>	<u>(657,950)</u>	<u>(654,317)</u>
Net change in total OPEB liability	21,780	(500,689)	(423,654)
Total OPEB Liability - Beginning	<u>8,828,026</u>	<u>9,328,715</u>	<u>9,752,369</u>
Total OPEB Liability - Ending	<u>\$ 8,849,806</u>	<u>\$ 8,828,026</u>	<u>\$ 9,328,715</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

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

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

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

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.0138%	0.0134%	0.0147%
Proportionate share of the net OPEB liability	\$ 45,507	\$ 53,489	\$ 71,845
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0170%	0.0189%	0.0207%
Proportionate share of the net OPEB liability	\$ 63,396	\$ 72,423	\$ 87,034
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ 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.

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

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0092%	0.0089%	0.0097%	0.0096%	0.0105%
Proportionate share of the net pension liability	\$ 6,396,087	\$ 4,059,955	\$ 9,428,699	\$ 8,691,399	\$ 9,688,311
State's proportionate share of the net pension liability	3,203,135	2,042,812	4,860,495	4,741,739	5,547,011
Total	<u>\$ 9,599,222</u>	<u>\$ 6,102,767</u>	<u>\$ 14,289,194</u>	<u>\$ 13,433,138</u>	<u>\$ 15,235,322</u>
Covered payroll	<u>\$ 6,617,145</u>	<u>\$ 4,796,570</u>	<u>\$ 5,463,310</u>	<u>\$ 4,688,372</u>	<u>\$ 6,122,855</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>96.66%</u>	<u>84.64%</u>	<u>172.58%</u>	<u>185.38%</u>	<u>158.23%</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
Proportion of the net pension liability		<u>0.0114%</u>	<u>0.0111%</u>	<u>0.0115%</u>	<u>0.0133%</u>
Proportionate share of the net pension liability		\$ 10,567,558	\$ 9,017,649	\$ 7,759,824	\$ 7,797,181
State's proportionate share of the net pension liability		<u>6,251,678</u>	<u>5,133,587</u>	<u>4,104,092</u>	<u>4,708,275</u>
Total		<u>\$ 16,819,236</u>	<u>\$ 14,151,236</u>	<u>\$ 11,863,916</u>	<u>\$ 12,505,456</u>
Covered payroll		<u>\$ 5,967,552</u>	<u>\$ 5,190,224</u>	<u>\$ 5,165,890</u>	<u>\$ 5,560,280</u>
Proportionate share of the net pension liability as a percentage of its covered payroll		<u>177.08%</u>	<u>173.74%</u>	<u>150.21%</u>	<u>140.23%</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.

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

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0392%	0.0390%	0.0450%	0.0457%	0.0468%
Proportionate share of the net pension liability	\$ 13,505,516	\$ 7,921,036	\$ 13,802,926	\$ 13,306,132	\$ 12,484,253
Covered payroll	\$ 6,015,692	\$ 5,779,565	\$ 6,563,242	\$ 5,288,573	\$ 5,432,348
Proportionate share of the net pension liability as a percentage of its covered payroll	224.50%	137.05%	210.31%	251.60%	229.81%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.0480%	0.0506%	0.0560%	0.0655%
Proportionate share of the net pension liability		\$ 11,467,243	\$ 9,997,830	\$ 8,248,932	\$ 7,433,258
Covered payroll		\$ 5,140,611	\$ 6,243,471	\$ 6,835,545	\$ 7,012,508
Proportionate share of the net pension liability as a percentage of its covered payroll		223.07%	160.13%	120.68%	106.00%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

San Luis Obispo County Office of Education
Schedule of the County's Contributions - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 1,128,419	\$ 1,119,621	\$ 774,646	\$ 934,226	\$ 763,267
Less contributions in relation to the contractually required contribution	<u>1,128,419</u>	<u>1,119,621</u>	<u>774,646</u>	<u>934,226</u>	<u>763,267</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 5,907,953</u>	<u>\$ 6,617,145</u>	<u>\$ 4,796,570</u>	<u>\$ 5,463,310</u>	<u>\$ 4,688,372</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 883,528	\$ 750,718	\$ 556,911	\$ 458,731
Less contributions in relation to the contractually required contribution		<u>883,528</u>	<u>750,718</u>	<u>556,911</u>	<u>458,731</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 6,122,855</u>	<u>\$ 5,967,552</u>	<u>\$ 5,190,224</u>	<u>\$ 5,165,890</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.

San Luis Obispo County Office of Education
Schedule of the County's Contributions - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 1,750,342	\$ 1,378,195	\$ 1,196,370	\$ 1,294,337	\$ 955,222
Less contributions in relation to the contractually required contribution	<u>1,750,342</u>	<u>1,378,195</u>	<u>1,196,370</u>	<u>1,294,337</u>	<u>955,222</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 6,899,259</u>	<u>\$ 6,015,692</u>	<u>\$ 5,779,565</u>	<u>\$ 6,563,242</u>	<u>\$ 5,288,573</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 843,698	\$ 713,928	\$ 739,664	\$ 804,612
Less contributions in relation to the contractually required contribution		<u>843,698</u>	<u>713,928</u>	<u>739,664</u>	<u>804,612</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 5,432,348</u>	<u>\$ 5,140,611</u>	<u>\$ 6,243,471</u>	<u>\$ 6,835,545</u>
Contributions as a percentage of covered payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

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

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

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

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
Special Education Pass-Through Fund	\$ 21,398,925	\$ 24,270,318	\$ 2,871,393

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

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

- *Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan discount rate assumptions changed from 3.54% in 2022 to 3.65% in 2023.

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

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

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

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

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

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

Schedule of the County's Contributions

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



Supplementary Information
June 30, 2023

San Luis Obispo County Office of
Education

San Luis Obispo County Office of Education
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through California Department of Education (CDE)				
Child Nutrition Cluster				
Basic School Breakfast	10.553	13525	\$ 7,636	\$ -
Subtotal			7,636	-
National School Lunch - Section 4	10.555	13523	14,151	-
COVID-19: Supply Chain Assistance (SCA) Funds	10.555	15655	7,509	-
Subtotal			21,660	-
Subtotal Child Nutrition Cluster			29,296	-
Passed Through California Department of Social Services				
Child and Adult Care Food Program	10.558	13393	19,336	-
Forest Service Schools and Roads Cluster				
Forest Reserve Funds	10.665	10044	14,392	-
Subtotal Forest Services School and Road Cluster			14,392	-
Total U.S. Department of Agriculture			63,024	-
U.S. Department of Justice				
Passed Through CDE				
STOP School Violence	16.607	[1]	38,161	-
U.S. Department of Education				
Passed Through CDE				
Special Education Cluster (IDEA)				
Special Education Grants to States - IDEA Basic Local Assistance	84.027	13379	7,398,695	7,354,511
Special Education Grants to States - IDEA Mental Health Average Daily Attendance (ADA)	84.027A	15197	395,575	-
COVID-19: American Rescue Plan (ARP) - IDEA Basic Local Assistance	84.027	15638	1,083,392	1,080,173
Subtotal			8,877,662	8,434,684
Special Education Preschool Grants	84.173	13430	371,680	339,639
Preschool Grants - Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	40,238	-
COVID-19: ARP IDEA - Preschool Grants	84.173	15639	78,783	78,783
Subtotal Special Education Cluster (IDEA)			9,368,363	8,853,106
Title I, Part A	84.010	14329	733,268	468,903
Title I, Part D	84.010	14357	113,891	-
School Improvement - Local Education Agency	84.010	15438	173,646	173,646
School Improvement - County Office of Education	84.010	15439	59,395	-
Subtotal			1,080,200	642,549

[1] Pass-through entity identifying number not available

San Luis Obispo County Office of Education
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Migrant Education State Grant Program	84.011	14326	\$ 1,683,153	\$ -
IDEA Early Intervention Grants, Part C	84.181	23761	62,152	-
COVID-19: ARP IDEA Part C, Early Education Program	84.181X	25657	<u>74,909</u>	<u>-</u>
Subtotal			<u>137,061</u>	<u>-</u>
Education for Homeless Children and Youth	84.196	14332	126,524	-
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	10,914	-
Title IV, Part A, Student Support and Academic Enrichment Grant Program	84.424	15391	56,077	-
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,097,415	-
COVID-19: ARP Elementary and Secondary School Emergency Relief (III) Fund (ESSER III)	84.425U	15559	1,262,214	142,951
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	223,151	-
COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund: State Reserve	84.425D	15618	106,830	-
COVID-19: Elementary and Secondary School Emergency Relief II Fund: State Reserve, Emergency Needs (ESSER II)	84.425D	15620	4,602	-
COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: State Reserve, Learning Loss	84.425D	15621	43,893	-
COVID-19: Governor's Emergency Education Relief II (GEER II) Fund, State Reserve, Emergency Needs	84.425C	15619	22,101	-
COVID-19: ARP Homeless Children and Youth (ARP HYC I)	84.425W	15564	46,679	295
COVID-19: ARP Homeless Children and Youth (ARP- HCY) Statewide Activities	84.425W	15636	147,244	-
COVID-19: ARP Homeless Children and Youth II (ARP HYC II)	84.425W	15566	<u>12,221</u>	<u>-</u>
Subtotal			<u>2,966,350</u>	<u>143,246</u>
Total U.S. Department of Education			<u>15,428,642</u>	<u>9,638,901</u>
U.S. Department of Health and Human Services Passed Through CDE				
Preschool Development Grant	93.434	15548	11,350	-
Child Care and Development Fund Cluster				
Federal Local Planning Councils	93.575	13946	75,690	-
COVID-19: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	15555	4,157	-
COVID-19: ARP California State Preschool Program One-time Stipend	93.575	15640	15,173	-
Quality Improvement Activities	93.575	15641	<u>186,836</u>	<u>-</u>
Subtotal Child Care and Development Fund Cluster			<u>206,166</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>293,206</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 15,823,033</u>	<u>\$ 9,638,901</u>

ORGANIZATION

The San Luis Obispo County Office of Education was established February 23, 1965, and consists of an area comprising all of San Luis Obispo County. The County operates 12 California State preschools, two First 5 preschools, four community schools, one juvenile court school, 15 special education classrooms, four special education centers, two independent skills classes, and one outdoor education school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Diane A. Ward	President	2024
Joel Peterson	Vice President	2024
George Galvan	Member	2026
Juan Olivarría	Member	2026
Paul Madonna	Member	2026

ADMINISTRATION

James J. Brescia	Superintendent
Dr. Sheldon Smith	Assistant Superintendent, Business Services
Thomas Alvarez	Chief Human Resources Officer

San Luis Obispo County Office of Education
Schedule of Average Daily Attendance
Year Ended June 30, 2023

	Final Report	
	Second Period Report 9A1308C3	Annual Report 4E6EBD6D
Elementary ADA		
Juvenile halls, homes, and camps	0.24	0.18
Community schools pupils - Probation referred, Expelled	6.83	8.03
Total Regular ADA	7.07	8.21
Secondary ADA		
Juvenile halls, homes, and camps	13.94	15.71
Community schools pupils - Probation referred, Expelled	37.47	37.25
Total Regular ADA	51.41	52.96
Total ADA	58.48	61.17

	Final Report	
	Second Period Report 22147DD8	Annual Report 6C77D954
Extended Year Special Education		
Transitional kindergarten through third	2.51	2.54
Fifth through sixth	2.86	3.17
Seventh and eighth	4.89	4.91
Ninth through twelfth	2.86	3.10
Total Extended Year Special Education	13.12	13.72
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.28	0.28
Fourth through sixth	0.58	0.58
Seventh and eighth	0.11	0.11
Ninth through twelfth	0.05	0.05
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.02	1.02
Total Extended Year Special Education ADA	14.14	14.74

San Luis Obispo County Office of Education
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2023

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

San Luis Obispo County Office of Education
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹
County School Service Fund				
Revenues	\$ 36,078,742	\$ 42,987,679	\$ 34,191,725	\$ 35,485,236
Other sources	-	417,651	33,578	2,066
Total revenues and other sources	<u>36,078,742</u>	<u>43,405,330</u>	<u>34,225,303</u>	<u>35,487,302</u>
Expenditures	34,265,519	36,949,950	33,359,318	30,244,612
Other uses and transfers out	<u>1,054,937</u>	<u>563,555</u>	<u>130,291</u>	<u>584,137</u>
Total expenditures and other uses	<u>35,320,456</u>	<u>37,513,505</u>	<u>33,489,609</u>	<u>30,828,749</u>
Increase/(Decrease) in Fund Balance	<u>758,286</u>	<u>5,891,825</u>	<u>735,694</u>	<u>4,658,553</u>
Ending Fund Balance	<u>\$ 18,573,407</u>	<u>\$ 17,815,121</u>	<u>\$ 11,923,296</u>	<u>\$ 11,187,602</u>
Available Reserves ²	<u>\$ 1,325,536</u>	<u>\$ 1,581,565</u>	<u>\$ 1,303,823</u>	<u>\$ 1,341,551</u>
Available Reserves as a Percentage of Total Outgo	<u>3.75%</u>	<u>4.22%</u>	<u>3.89%</u>	<u>4.35%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 29,122,254</u>	<u>\$ 20,022,742</u>	<u>\$ 32,619,606</u>
K-12 Average Daily Attendance at P-2	<u>76</u>	<u>73</u>	<u>62</u>	<u>93</u>

The County School Service Fund balance has increased by \$6,627,519 over the past two years. The fiscal year 2023-2024 budget projects an increase of \$758,286 (4.26%). For a county this size, the State recommends available reserves of at least three percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County has incurred operating surpluses in all of the past three years and anticipates incurring an operating surplus during the 2023-2024 fiscal year. Total long-term liabilities have decreased by \$3,497,352 over the past two years.

Average daily attendance has decreased by 20 over the past two years. An increase of three is anticipated during fiscal year 2023-2024.

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

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund, the Special Reserve Fund for Other Than Capital Outlay Projects, and the Special Reserve Fund for Other Postemployment Benefits.

San Luis Obispo County Office of Education
Schedule of Charter Schools
Year Ended June 30, 2023

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Grizzly Challenge Charter School	0566	No
Almond Acres Charter Academy	1395	No

San Luis Obispo County Office of Education
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Forest Reserve Fund</u>
Assets			
Deposits and investments	\$ 2,241,461	\$ -	\$ 11,884
Receivables	<u>812,443</u>	<u>7,858</u>	<u>-</u>
Total assets	<u>\$ 3,053,904</u>	<u>\$ 7,858</u>	<u>\$ 11,884</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 386,964</u>	<u>\$ 7,249</u>	<u>\$ 12,234</u>
Fund Balances			
Restricted	2,666,940	609	-
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(350)</u>
Total fund balances	<u>2,666,940</u>	<u>609</u>	<u>(350)</u>
Total liabilities and fund balances	<u>\$ 3,053,904</u>	<u>\$ 7,858</u>	<u>\$ 11,884</u>

San Luis Obispo County Office of Education
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	<u>County School Facilities Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Deposits and investments	\$ 68,287	\$ 540,569	\$ 2,862,201
Receivables	<u>-</u>	<u>-</u>	<u>820,301</u>
Total assets	<u><u>\$ 68,287</u></u>	<u><u>\$ 540,569</u></u>	<u><u>\$ 3,682,502</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,447</u>
Fund Balances			
Restricted	68,287	-	2,735,836
Assigned	-	540,569	540,569
Unassigned	<u>-</u>	<u>-</u>	<u>(350)</u>
Total fund balances	<u>68,287</u>	<u>540,569</u>	<u>3,276,055</u>
Total liabilities and fund balances	<u><u>\$ 68,287</u></u>	<u><u>\$ 540,569</u></u>	<u><u>\$ 3,682,502</u></u>

San Luis Obispo County Office of Education

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

	Child Development Fund	Cafeteria Fund	Forest Reserve Fund
Revenues			
Federal sources	\$ 447,411	\$ 29,297	\$ 14,393
Other State sources	2,098,490	6,751	-
Other local sources	1,200,680	(532)	(350)
Total revenues	<u>3,746,581</u>	<u>35,516</u>	<u>14,043</u>
Expenditures			
Current			
Pupil services			
Food services	11,275	109,710	-
All other pupil services	15,617	-	-
Administration			
All other administration	233,824	3,820	-
Plant services	184,185	965	-
Community services	2,948,138	-	-
Other outgo	-	-	12,234
Enterprise services	-	2,008	-
Facility acquisition and construction	-	-	-
Total expenditures	<u>3,393,039</u>	<u>116,503</u>	<u>12,234</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>353,542</u>	<u>(80,987)</u>	<u>1,809</u>
Other Financing Sources (Uses)			
Transfers in	22,573	80,982	-
Transfers out	-	-	(2,159)
Net Financing Sources (Uses)	<u>22,573</u>	<u>80,982</u>	<u>(2,159)</u>
Net Change in Fund Balances	376,115	(5)	(350)
Fund Balance - Beginning	<u>2,290,825</u>	<u>614</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,666,940</u>	<u>\$ 609</u>	<u>\$ (350)</u>

San Luis Obispo County Office of Education

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

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues			
Federal sources	\$ -	\$ -	\$ 491,101
Other State sources	69,600	-	2,174,841
Other local sources	(1,313)	(8,461)	1,190,024
Total revenues	<u>68,287</u>	<u>(8,461)</u>	<u>3,855,966</u>
Expenditures			
Current			
Pupil services			
Food services	-	-	120,985
All other pupil services	-	-	15,617
Administration			
All other administration	-	-	237,644
Plant services	-	-	185,150
Community services	-	-	2,948,138
Other outgo	-	-	12,234
Enterprise services	-	-	2,008
Facility acquisition and construction	-	23,740	23,740
Total expenditures	<u>-</u>	<u>23,740</u>	<u>3,545,516</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>68,287</u>	<u>(32,201)</u>	<u>310,450</u>
Other Financing Sources (Uses)			
Transfers in	-	460,000	563,555
Transfers out	-	-	(2,159)
Net Financing Sources (Uses)	<u>-</u>	<u>460,000</u>	<u>561,396</u>
Net Change in Fund Balances	68,287	427,799	871,846
Fund Balance - Beginning	-	112,770	2,404,209
Fund Balance - Ending	<u>\$ 68,287</u>	<u>\$ 540,569</u>	<u>\$ 3,276,055</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

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

Summary of Significant Accounting Policies

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

Indirect Cost Rate

The County has not elected to use the ten percent de minimis cost rate.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the County, and displays information for each Charter School on whether or not the Charter School is included in the County 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

**San Luis Obispo 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 Governing Board
San Luis Obispo County Office of Education
San Luis Obispo, 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 San Luis Obispo County Office of Education (the County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated February 9, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Rancho Cucamonga, California
February 9, 2024



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

To the Governing Board
San Luis Obispo County Office of Education
San Luis Obispo, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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.

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

Rancho Cucamonga, California
February 9, 2024



Independent Auditor's Report on State Compliance

To the Governing Board
San Luis Obispo County Office of Education
San Luis Obispo, California

Report on Compliance

Opinion on State Compliance

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

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

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

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

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

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

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

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	No, see below
Independent Study Certification for ADA Loss Mitigation	Yes
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	No, see below
Charter Schools	
Attendance	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 County does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

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

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

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

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

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

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

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

Transportation Maintenance of Effort does not apply to the County; therefore, we did not perform procedures related to Transportation Maintenance of Effort.

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

The County did not receive Home-to-School Transportation Reimbursement; therefore, we did not perform procedures related to Home-to-School Transportation Reimbursement.

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

The County does not offer a After/Before Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program

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

The County did not have schools listed on the immunization assessment reports; therefore, we did not perform the remaining procedures.

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

The County 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
February 9, 2024



Schedule of Findings and Questioned Costs
June 30, 2023

San Luis Obispo 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 program	
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 programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
Migrant Education State Grant Program	84.011
Special Education Cluster (IDEA)	84.027, 84.027A, 84.173
COVID-19: Education Stabilization Fund (ESF)	84.425C, 84.425D, 84.425U, 84.425W
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

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.

San Luis Obispo County Office of Education
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

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