

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SACRAMENTO, CALIFORNIA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

# SACRAMENTO COUNTY OFFICE OF EDUCATION

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**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting, Auditing, Consulting, and Tax*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Sacramento County Office of Education  
Sacramento, California

**Report on the Audit of the Financial Statements**

***Adverse and Unmodified Opinions***

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

**Summary of Opinions**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Unmodified
Governmental Funds	Unmodified
Fiduciary Funds	Adverse
Aggregate Remaining Fund Information	Unmodified

***Unmodified Opinions on Governmental Activities, Each Major Fund, and Aggregate Remaining Fund Information***

In our opinion, the accompanying financial statements 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 Sacramento County Office, 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.

***Adverse Opinion on Fiduciary Funds***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of the report, the accompanying financial statements do not present fairly the financial position of Sacramento County Office of Education, as of June 30, 2023, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Adverse and Unmodified 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 (GAS), issued by the Comptroller General of the United States. 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 Sacramento County Office of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

### ***Matter Giving Rise to Adverse Opinion on Fiduciary Funds***

The Payroll Clearing fund is used to administer the payroll of the districts within the county. The fund should net to zero, where administered funds transferred in equal payroll and related expenses paid out. There could be times where there are amounts due to and due from outside districts. As of June 30, 2023, the fund shows a deficit of \$26,731,483 in aggregate. This deficit indicates that there is significant doubt that the assets, liabilities, and net position are fairly stated, and give rise to this adverse opinion.

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

The County Office's 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 Office'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 County Office'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 Office'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, the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual – County School Service Fund, Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual – Special Education Pass-through Fund, Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual – Adult Education Fund, Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios, Schedule of OPEB Contributions, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

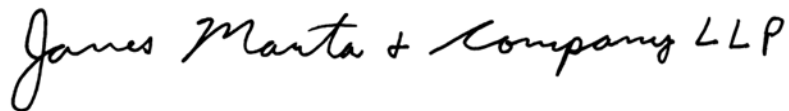
### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County Office's basic financial statements. The *supplementary information as listed in the table of contents* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *supplementary 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is 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 March 27, 2024, on our consideration of County Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 County Office's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 27, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# SACRAMENTO COUNTY OFFICE OF EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

The Management's Discussion and Analysis section of the audit report is management's view of the Sacramento County Office of Education's ("County Office") financial condition and provides an opportunity to present important fiscal information to the County Board of Education and the public. This document is designed to enhance the understandability and usefulness of the audited financial statements for all users.

### FINANCIAL REPORTS

At specific reporting periods during the year, the County Office prepares and presents budget revisions and interim financial reports for County Board of Education and public review. These documents represent changes to the County Office's budgeted receipts and expenditures since the July 1st adoption of the County School Services Fund budget and present the most accurate information available at the time.

Alternatively, the Management's Discussion and Analysis and annual audit report include several financial reports that present actual receipts and expenditures and year-end balances at the close of the fiscal year using the accrual basis of accounting. In addition to the basic Governmental Fund financial statements that comprise the Unaudited Actuals report, two government-wide financial statements are included in the audit report: the Government-Wide Statement of Net Position, which reports financial condition at the end of the year, and the Government-Wide Statement of Activities, which reports activity during the year. These two statements present a longer-term view of the County Office's finances. All statements are described below.

### Governmental Fund Financial Statements

County Office fund financial statements report operations using the modified accrual basis of accounting. As of 6/30/23, the County Office reported combined fund balances of \$132,678,242 in all governmental funds, which represents a net increase of \$13,300,320 from the prior year resulting from increases to general County Office operations as follows: Local Control Funding Formula (LCFF) revenue; LCFF System of Support funding; Covid Relief Funding; interest earned on County Office cash balances; and other miscellaneous funding sources.

### Government-Wide Statement of Net Position

The County Office's Government-Wide Statement of Net Position includes the following information that the Governmental Funds Balance Sheet does not present: capital assets, net of accumulated depreciation; long-term liabilities, including Net Pension Liability and OPEB Liability; and Deferred Outflows and Inflows related to Net Pension Liability and OPEB. Further, amounts due to or from other County Office governmental funds are eliminated. Detail is provided in the supporting footnotes.

The following table summarizes Governmental ending balances for the past two years:

	Balance at June 30, 2023	Balance at June 30, 2022
Total Assets	\$204,495,246	\$180,980,390
Deferred Outflows	\$55,500,199	\$52,889,226
Total Liabilities	\$152,095,157	\$88,983,894
Deferred Inflows	\$34,772,472	\$59,221,697
Total Net Position	\$73,127,816	\$85,664,025

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Net Position is significantly affected by Governmental Accounting Standards Board (GASB) 68 and GASB 75, as explained below:

- GASB 68 requires that the County Office calculate and report our proportionate share of Net Pension Liability, Deferred Outflow/Deferred Inflow of resources, and Pension Expenses related to our defined benefit pension plan. This increases the County Office's proportionate share of the Net Pension Liability by \$40,819,677. The increase in Net Pension Liability was the single most significant cause of the change in Net Position.
- GASB 75 requires that the County Office calculate and report the full value of our Other Post-employment (Health) Benefit (OPEB) Liability and Deferred Outflow/Deferred Inflow of resources. This results in an increase to Net OPEB Liability of \$12,165,527. As of 6/30/23, the County Office reports a Net OPEB Liability of \$5,946,338.
- The increase in Net Pension Liability and increase in Net OPEB Liability contributed to a net decrease in Total Liabilities and a decrease in Net Position, as reflected in the summary table.
- Deferred Outflows and Deferred Inflows of resources pertaining to Net Pension and OPEB Liabilities represent expenses to be recognized in future years. All such activity reduced Net Position and ending balances are separately stated in the summary table.

In addition to the effects of GASB 68 and GASB 75, Net Position was affected by adjustments to other long-term debt, net depreciation of fixed assets, and timing differences in the receipt of revenues and payment of expenditures that affect assets and liabilities. These combined factors result in a decrease in the County Office's Net Position.

### Government-Wide Statement of Activities

The County Office's Government-Wide Statement of Activities differs from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance because the Statement of Activities reports all expenses by their function rather than the expense category. Each function combines related County Office operational activities. Further, the Statement of Activities is adjusted for debt repayment, payments of post-employment benefits to retirees, the difference between actuarially determined and actual Pension and OPEB costs, changes in compensated absences, and net capital outlay expenditures.

The following table summarizes Governmental activity during the past two years:

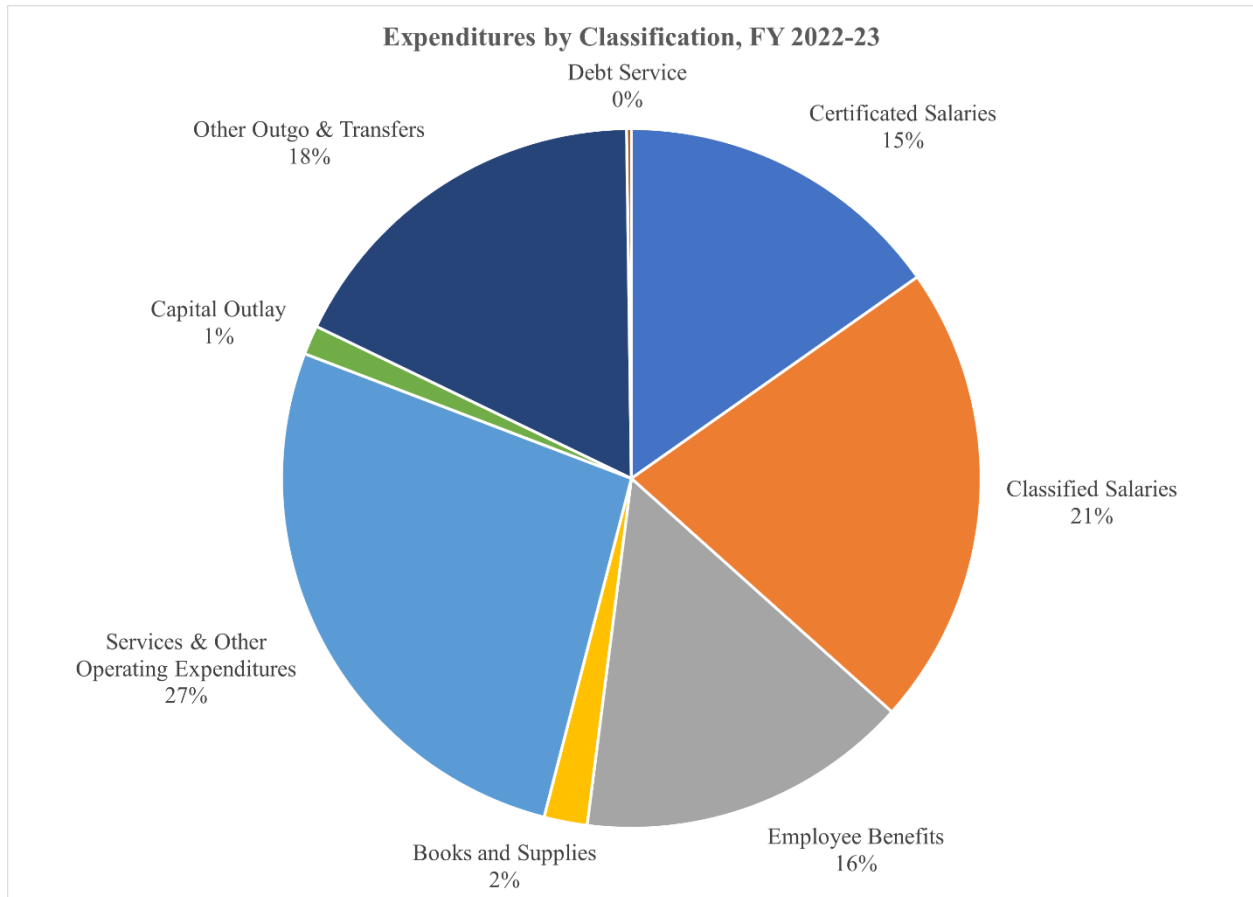
	For the Year Ended June 30, 2023	For the Year Ended June 30, 2022
Program Revenues	\$120,240,813	\$112,132,793
General Revenues	\$67,259,180	\$57,735,856
Expenses	(\$200,036,202)	(\$141,684,779)
Change in Net Position	(\$12,536,209)	\$28,183,870
Net Position, beginning	\$85,664,025	\$57,480,155
Net Position, ending	\$73,127,816	\$85,664,025

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

The chart below summarizes the County Office's expenditures by classification during fiscal year 2022-2023:



### Composition of Revenues

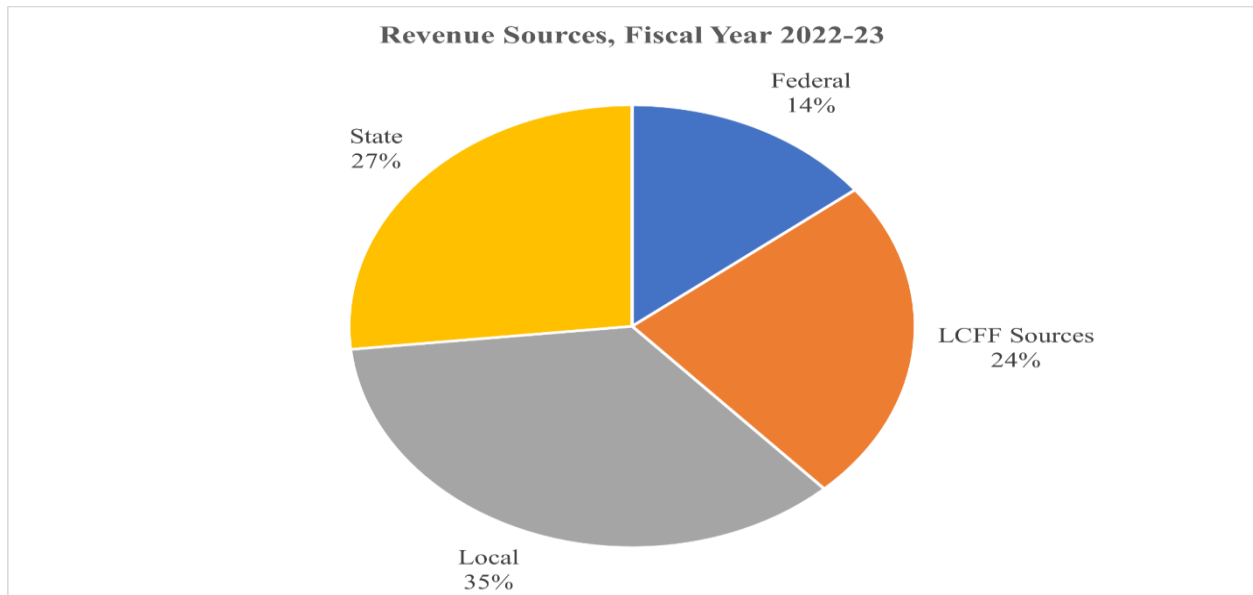
In the fiscal year 2022-23 budget, the composition of revenues was predominantly from restricted Federal, State, and Local sources, making up about 71% of the total, in contrast to the 29% that was unrestricted. Restricted revenues are funds that are designated for specific purposes by external sources, such as grants or specific government allocations, and cannot be used for general operating expenses. Unrestricted revenues are funds that the organization can use at its discretion for any lawful purpose.

This distinction highlights the importance of maintaining significant unrestricted reserves. Such reserves are vital for continued financial stability and flexibility, allowing the County Office to manage unexpected expenses or revenue shortfalls effectively. Robust reserves are not just a matter of prudent financial management; they are critical for ensuring long-term operational sustainability, especially when restricted funds are bound by stringent regulations or commitments that limit their application to general or unforeseen needs.

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023



### PROGRAM HIGHLIGHTS

The County Office provides direct instruction to students in the community through a variety of programs. These programs comprise approximately 21% of the County Office budget. The following represents the highlights of these programs:

#### Special Education

The Special Education Department offers a range of services to students with various disabilities, including physical, communicative, learning, and emotional challenges. These services encompass direct instruction, resource specialist support, and specialized assistance such as speech, vision, nursing, and mobility services. Our programs, spanning academics, daily living skills, transition skills, and career preparation, are distributed across numerous campuses in Sacramento County, including Juvenile Court and Community School sites. Additionally, the Infant Development Program provides comprehensive early intervention services to infants and toddlers, along with their families. These services integrate aspects like occupational therapy, social-emotional development, and coordinated service planning into the families' daily routines, ensuring a holistic approach to each child's development.

#### Juvenile Court School

The Juvenile Court School program provides academic, career technical educational, and academic intervention services to over 100 students who are detained at the Youth Detention Facility operated by the Sacramento County Probation Department. The Juvenile Court School program prepares students for transition back to their school of residence, employment, and/or post-secondary education.

#### Community Schools: Community School, Senior Extension, and Community Action for Responsive Education (CARE)

The Community School program provides educational alternatives for students who have been expelled or are not currently enrolled in local school districts, with programs located across three campuses in Sacramento County. This program focuses on academic instruction, career technical education, and behavior modification,

## **SACRAMENTO COUNTY OFFICE OF EDUCATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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aiming to prepare students for their return to regular schools, graduation, HiSET (high school equivalency exam) completion, or further education.

The County Office also operates a growing Senior Extension program within the Community School framework, targeting students at risk of dropping out or who have already left school. This program, mainly serving students aged 18 or older, offers personalized education plans across these campuses, allowing them to balance independent study with work and family commitments. This approach facilitates the earning of credits necessary for graduation or postsecondary transition.

The CARE program, a collaboration between the County Office and local schools, offers customized education and behavioral support in small classes, covering core subjects, study skills, electives, and extracurriculars. It includes enrichment, parenting support, mentoring, and tutoring, helping students develop the academic, behavioral, and social skills necessary for success in traditional schooling. Participation in the CARE program equips students with essential academic, behavioral, and social skills to succeed in a traditional school environment.

#### **Sly Park**

Sly Park Center, a residential outdoor science program, offers immersive educational experiences in environmental studies to elementary students from Sacramento and Northern California. The center provides a range of options, including multi-day residential programs and day trips during the school year, along with virtual lessons and single-day field trips to green spaces. Besides serving students, Sly Park also welcomes various student and adult conference groups in the summer. All its services align with the Next Generation Science Standards, California's Environmental Principles and Concepts, and emphasize social-emotional learning.

#### **Special Programs**

In addition to the above services and programs, the County Office administers over 200 special programs, services and grants that serve adults and students in Sacramento County, neighboring counties and, in some cases, throughout the state of California. Adults and students are served in many capacities, such as through technology support, training and evaluation services, pupil services and instructional support. These programs are often administered in cooperation with state and federal governments and must adhere to their fiscal requirements. These special programs, services and grants comprise approximately 79% of the County Office's budget. These programs include, but are not limited to, the following:

#### **School-Based Mental Health**

The School-Based Mental Health program aims to enhance student mental health and wellness through collaboration with school districts. By placing a County Office mental health professional in schools and fostering a comprehensive understanding of the school-community-care continuum among all adults, the County Office seeks to address students' mental health needs effectively. The vision is to unite education and health systems, forming a care continuum to prevent issues like the school-to-prison pipeline and mitigate mental health disorders' impact. This initiative involves collaboration with the Sacramento County Department of Health Services, Medi-Cal partners, schools, districts, students, and families, targeting shared goals for substantial, enduring change. The primary objectives include improved academic achievement, reduced suspensions and chronic absenteeism, decreased special education referrals, enhanced early intervention, and increased early identification of mental health issues, aiming for a proactive approach to student wellness.

#### **Adult Education**

The California Adult Education Program (CAEP) and the Outreach and Technical Assistance Network

## **SACRAMENTO COUNTY OFFICE OF EDUCATION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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(OTAN), both funded by the California Community Colleges Chancellor's Office and co-led with the California Department of Education, offer a range of supports to adult education in California. CAEP provides technical assistance, professional development, and reporting services, ensuring ongoing coordination and communication under its directive. This includes needs-based support through various communication channels, development of resources, and regular progress reporting. OTAN, integral to this effort, focuses on electronic collaboration, instructional technology, and distance learning support for adult educators, including database and technology planning, professional development, and technology integration support. The Capital Adult Education Regional Consortium, involving various educational and workforce partners in the Sacramento region, collaboratively addresses adult education and workforce needs, with the Sacramento County Office of Education managing its fiscal and program responsibilities.

#### **Curriculum and Instruction**

The K-12 Curriculum and Instruction Department provides a wide range of instructional support services, including technical assistance, coaching, professional learning sessions, and resources in core academic areas. This department promotes social and emotional learning, High-Quality First Instruction, and research-based instructional practices, alongside Expanded Learning programs. Customized, on-site services help districts and schools with analyzing achievement data, program planning for English Learners, and enhancing the quality of curriculum and instruction.

#### **Early Learning**

The Early Learning Department prepares young children for success in elementary school and beyond, offering direct support to families and providing professional learning and technical assistance to early education staff across California. This department also facilitates communication among early learning educators, providers, and community partners, ensuring equitable access to high-quality programs for the youngest learners.

#### **Foster Youth and Homeless Services**

The Foster and Homeless Youth Services Department offers support and referrals to homeless youth, along with education, transition support, and credit recovery for foster youth. It also maintains the Foster Focus database, aiding various partners in supporting youth education and welfare.

#### **Advancement Via Individual Determination (AVID)**

The Advancement Via Individual Determination (AVID) Department provides comprehensive support from transitional kindergarten through postsecondary education, focusing on increasing college enrollment and success. The AVID program includes a foundational component for elementary schools and a secondary program ensuring college and career readiness.

#### **Prevention & Early Intervention**

The Prevention & Early Intervention Department addresses a spectrum of youth development and prevention education topics. It runs programs like Friday Night Live/Club Live, fostering leadership and community engagement among youth, and Project SAVE, aimed at violence prevention. Collaborating with multiple partners, this department facilitates groups focusing on youth development and mental health.

#### **Cal-SOAP Consortium**

The Sacramento Cal-SOAP consortium, administered by the California Student Aid Commission, aims to raise achievement levels of low-income, first-generation college students. It provides college and financial aid awareness workshops, direct planning assistance, and organizes Cash for College workshops.

# **SACRAMENTO COUNTY OFFICE OF EDUCATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2023**

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### **School of Education**

The County Office's School of Education Department, with its Teaching and Leading divisions, offers professional learning for teachers and leaders. The Teaching division includes programs like Teacher Intern, Teacher Induction, and Bilingual Teacher Professional Development, focusing on alternative teaching pathways and bilingual education. The Leading division consists of programs for aspiring and current educational leaders, emphasizing equity, collaboration, and continuous improvement.

### **CAPITAL ASSETS**

The County Office accounts for the purchase value of capital assets and includes these values as part of the financial statements. In addition to purchasing equipment during the year, the County Office incurred the following construction-related costs: Security camera system upgrades; facility, safety, and infrastructure improvements at Sly Park; AV system upgrades at the David P. Meany Education Center; flooring and HVAC system upgrades at various sites; and pest exclusion for various sites. The County Office is reporting net capital assets of \$32,089,049 as of 6/30/23, represented as follows: \$59,190,488 in Land and Building components, \$7,074,787 in Equipment and \$34,176,226 in accumulated depreciation. Detailed balances by asset and depreciation expense category are provided in the supporting footnotes.

### **LONG-TERM DEBT**

The County Office reports \$112,350,985 in Long-Term Debt as of 6/30/23, represented as follows: \$103,044,281 of Net Pension Liability; \$5,946,338 of Net OPEB Liability; \$1,390,000 of the 2013 Refunding Lease-Purchase; and \$1,970,366 of Compensated Absences. Detailed balances and future payment information are provided in the supporting footnotes.

### **COUNTY SCHOOL SERVICE FUND BUDGETARY HIGHLIGHTS**

The County Office's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. As indicated earlier in this document, under "Financial Reports", the original budget is adopted by July 1 and the County Office revises its budget at First and Second Interim and one more time in the Spring to establish beginning balances for the following year.

### **ECONOMIC FACTORS BEARING ON THE COUNTY OFFICE'S FUTURE**

- The County Office has always taken an entrepreneurial approach in pursuing grants and contracts for our agency. We work with various entities in our region and throughout the State of California to secure funding for programs that benefit our particular population.
- At the same time, we follow a conservative budgeting approach. It is our practice to budget for and spend under a grant or contract after we receive confirmation of funding. Once funding is secured, we are prudent in our hiring and spending.
- Each funding source is self-supporting, and most departments maintain adequate reserves for the future. In our general programs, we maintain a fund balance well in excess of the required minimum.
- These sound budgeting practices keep the County Office financially healthy and allow us to be prepared for the next economic downturn.

### **CONTACTING THE COUNTY OFFICE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, and creditors with a general overview of the County Office finances and to show the County Office's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Nicolas Schweizer, Associate Superintendent Business Services, Sacramento County Office of Education.

## **BASIC FINANCIAL STATEMENTS**



**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**STATEMENT OF NET POSITION**

**JUNE 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents (Note 2)	\$ 110,813,358
Receivables	60,327,973
Prepaid expenses	1,264,866
Capital assets, net of accumulated depreciation (Note 4)	32,089,049
Total Assets	204,495,246
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources relating to OPEB (Note 8)	13,812,497
Deferred outflows of resources relating to pensions (Note 6)	41,687,702
Total Deferred Outflows of Resources	55,500,199
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	31,443,949
Unearned revenue	8,300,223
Long-term liabilities (Note 5):	
Due within one year	2,300,366
Due in more than one year	110,050,619
Total Liabilities	152,095,157
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources relating to OPEB (Note 8)	9,290,805
Deferred inflows of resources relating to pensions (Note 6)	25,481,667
Total Deferred Inflows of Resources	34,772,472
<b>NET POSITION</b>	
Net investment in capital assets	30,699,049
Restricted	26,208,426
Unrestricted	16,220,341
Total Net Position	\$ 73,127,816

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

		<b>Program Revenues</b>			<b>Net (Expense) Revenues and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
Governmental Activities					
Instruction	\$ 34,956,263	\$ 3,223,182	\$ 13,403,211	\$ -	\$ (18,329,870)
Instruction - related services:					
Instructional supervision and administration	80,602,125	26,097,505	32,571,734	-	(21,932,886)
School site administration	2,825,560	50,918	357,832	-	(2,416,810)
Pupil Services:					
Food services	649,342	-	172,884	-	(476,458)
All other pupil services	15,465,506	2,570,511	9,670,120	-	(3,224,875)
General administration:					
Centralized data processing	2,681,376	-	263,977	-	(2,417,399)
All other general administration	20,149,056	1,279,332	4,031,781	-	(14,837,943)
Plant services	7,336,713	52,975	291,234	-	(6,992,504)
Ancillary services	348,882	-	216,852	-	(132,030)
Community services	570,278	77,372	456,314	-	(36,592)
Enterprise activities	3,687,927	-	1,025,153	-	(2,662,774)
Interest on long-term debt	56,117	-	-	-	(56,117)
Other outgo	30,707,057	4,267,831	20,160,095	-	(6,279,131)
Total governmental activities	<u>\$ 200,036,202</u>	<u>\$ 37,619,626</u>	<u>\$ 82,621,187</u>	<u>\$ -</u>	<u>(79,795,389)</u>
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					20,494,428
Taxes levied for other specific purposes					341,411
Federal and state aid not restricted to specific purposes					26,162,058
Interest and investment earnings					1,622,145
Interagency revenues					6,385,761
Miscellaneous					<u>12,253,377</u>
Total General Revenues					<u>67,259,180</u>
Change in Net Position					(12,536,209)
Net Position, July 1, 2022					<u>85,664,025</u>
Net Position, June 30, 2023					<u><u>\$ 73,127,816</u></u>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2023**

	<b>County School Service Fund</b>	<b>Special Education Pass-Through Fund</b>	<b>Adult Education Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
<b>ASSETS</b>					
Cash and investments (Note 2)					
Cash in County Treasury	\$ 108,926,363	\$ 10,458,805	\$ 205,979	\$ (8,970,630)	\$ 110,620,517
Cash in bank(s)	1,255	-	-	-	1,255
Cash collections awaiting deposit	161,586	-	-	-	161,586
Cash in revolving fund	30,000	-	-	-	30,000
Receivables	45,375,047	1,741,307	1,930,187	11,281,432	60,327,973
Prepaid expenditures	1,220,938	-	29,732	14,196	1,264,866
Due from other funds (Note 3)	4,712,300	523,722	17,678	482,639	5,736,339
Total Assets	<u>\$ 160,427,489</u>	<u>\$ 12,723,834</u>	<u>\$ 2,183,576</u>	<u>\$ 2,807,637</u>	<u>\$ 178,142,536</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 23,916,039	\$ 5,518,302	\$ 1,175,163	\$ 818,228	\$ 31,427,732
Unearned revenue	7,890,102	-	900	409,221	8,300,223
Due to other funds (Note 3)	991,562	3,982,588	370,874	391,315	5,736,339
Total Liabilities	<u>32,797,703</u>	<u>9,500,890</u>	<u>1,546,937</u>	<u>1,618,764</u>	<u>45,464,294</u>
Fund balances (Note 7)					
Nonspendable	1,250,938	-	29,732	14,196	1,294,866
Restricted	21,628,534	3,222,944	197,523	1,159,425	26,208,426
Assigned	61,673,839	-	409,384	15,252	62,098,475
Unassigned	43,076,475	-	-	-	43,076,475
Total Fund Balances	<u>127,629,786</u>	<u>3,222,944</u>	<u>636,639</u>	<u>1,188,873</u>	<u>132,678,242</u>
Total liabilities and fund balances	<u>\$ 160,427,489</u>	<u>\$ 12,723,834</u>	<u>\$ 2,183,576</u>	<u>\$ 2,807,637</u>	<u>\$ 178,142,536</u>

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITON**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2023**

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Total fund balances - governmental funds	\$ 132,678,242
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Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets at historical cost:	\$ 66,265,275	
Accumulated depreciation:	<u>(34,176,226)</u>	
Net:		32,089,049

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (16,217)

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

Net pension liability	103,044,281	
Net OPEB liability (asset)	5,946,338	
Compensated absences payable	1,970,366	
Refunding lease-purchase payable	<u>1,390,000</u>	
		(112,350,985)

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

Deferred outflows of resources relating to OPEB	13,812,497
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Deferred inflows of resources relating to OPEB	(9,290,805)
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Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	41,687,702
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Deferred inflows of resources relating to pensions	<u>(25,481,667)</u>
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Total net position, governmental activities:	<u><u>\$ 73,127,816</u></u>
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**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2023**

	<b>County School Service Fund</b>	<b>Special Education Pass-Through Fund</b>	<b>Adult Education Fund</b>	<b>All Non-Major Funds</b>	<b>Totals</b>
<b>REVENUES</b>					
LCFF Sources	\$ 32,801,703	\$ 11,633,941	\$ -	\$ -	\$ 44,435,644
Federal revenue	16,708,131	1,803,484	3,566,565	4,979,042	27,057,222
Other state revenues	27,422,426	4,003,391	14,142,029	4,429,108	49,996,954
Other local revenues	64,282,297	-	54,002	1,673,885	66,010,184
Total revenues	141,214,557	17,440,816	17,762,596	11,082,035	187,500,004
<b>EXPENDITURES</b>					
Certificated salaries	24,605,880	-	1,155,760	778,865	26,540,505
Classified salaries	33,056,901	-	1,776,089	2,431,762	37,264,752
Employee benefits	24,545,579	-	998,681	1,273,435	26,817,695
Books and supplies	3,115,720	-	52,753	308,125	3,476,598
Services and other operating expenditures	40,145,566	-	777,708	5,731,531	46,654,805
Capital outlay	2,358,425	-	-	-	2,358,425
Other outgo	37,091	17,383,214	12,886,395	400,354	30,707,054
Debt service					
Principal	142,778	-	-	177,222	320,000
Interest	-	-	-	59,850	59,850
Total expenditures	128,007,940	17,383,214	17,647,386	11,161,144	174,199,684
Excess (deficiency) of revenues over expenditures	13,206,617	57,602	115,210	(79,109)	13,300,320
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	-	478,630	478,630
Operating transfers out	(478,630)	-	-	-	(478,630)
Total other financing sources (uses)	(478,630)	-	-	478,630	-
Net change in fund balances	12,727,987	57,602	115,210	399,521	13,300,320
Fund balances, July 1, 2022	114,901,799	3,165,342	521,429	789,352	119,377,922
Fund balances, June 30, 2023	\$ 127,629,786	\$ 3,222,944	\$ 636,639	\$ 1,188,873	\$ 132,678,242

The accompanying notes are an integral part of these financial statements.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2023**

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Total net change in fund balances - governmental funds	\$ 13,300,320
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

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

Expenditures for capital outlay:	\$ 2,358,425	
Depreciation expense:	<u>(2,519,366)</u>	
Net:		(160,941)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

320,000

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

3,733

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

(30,223,357)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

4,298,351

Compensated absences in governmental funds are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(74,315)

Total change in net position - governmental activities	<u><u>\$ (12,536,209)</u></u>
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**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2023**

	<b>Private- Purpose Trust Fund</b>	<b>Custodial Funds</b>	
	<b>Student Scholarship and Loan Fund</b>	<b>Payroll Clearing Fund</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents (note 2)			
Cash in County Treasury	\$ 127,402	\$ 1,555,835	\$ 1,683,237
Accounts Receivable	-	107,832	107,832
Total assets	<u>127,402</u>	<u>1,663,667</u>	<u>1,791,069</u>
<b>LIABILITIES</b>			
Due to Agencies	-	28,241,004	28,241,004
Accounts Payable	-	154,146	154,146
Total liabilities	<u>-</u>	<u>28,395,150</u>	<u>28,395,150</u>
<b>NET POSITION</b>			
Restricted	<u>127,402</u>	<u>(26,731,483)</u>	<u>(26,604,081)</u>
Total net position	<u><u>\$ 127,402</u></u>	<u><u>\$ (26,731,483)</u></u>	<u><u>\$ (26,604,081)</u></u>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Private- Purpose Trust Fund</b>	<b>Custodial Funds</b>	
	<b>Student Scholarship and Loan Fund</b>	<b>Payroll Clearing Fund</b>	<b>Total Fiduciary Funds</b>
<b>Additions</b>			
Other Local Revenue	\$ 13,314	\$ -	\$ 13,314
Funds Collected for Others	-	1,025,883,831	1,025,883,831
Total Additions	13,314	1,025,883,831	1,025,897,145
<b>Deductions</b>			
Funds Distributed to Others	-	1,052,329,663	1,052,329,663
Contract Services and Operating Expenditures	8,000	-	8,000
Total Deductions	8,000	1,052,329,663	1,052,337,663
Changes in Net Position	5,314	(26,445,832)	(26,440,518)
<b>Net Position</b>			
Net Position - July 1, 2022	121,088	(285,651)	(164,563)
Net Position - June 30, 2023	\$ 126,402	\$ (26,731,483)	\$ (26,605,081)



# **SACRAMENTO COUNTY OFFICE OF EDUCATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. HISTORY OF THE ORGANIZATION**

The Sacramento County Office of Education (the "County Office") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a seven-member Governing Board elected by registered voters of the County Office. Each Board member represents an "area", which comprises several local communities within Sacramento County. The County Office is situated in one of the areas and serves students in kindergarten through grade twelve and adults, as well as infants in some Special Education programs.

#### **B. REPORTING ENTITY**

The County Superintendent of Schools and County Board of Education have governance responsibilities over the activities related to public school education conducted by the County Office. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The County's Board of Education formed a non-profit public benefit corporation known as the Schools Projects Financing Corporation of Sacramento County ("Corporation"). The County Office and the Corporation have a financial and operational relationship which meet the reporting entity definition criteria of Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation as a blended component unit of the County Office. Therefore, the financial activities of the Corporation have been included in the financial statements of the County Office as a blended component unit.

The following are those aspects of the relationship between the County Office and the Corporation which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, as amended by criteria:

##### Manifestations of Oversight

The Corporation's Board of Directors is the County's Board of Education.

The Corporation has no employees. The County Office's Superintendent and Associate Superintendent, Business Services function as agents of the Corporation. The individuals did not receive additional compensation for work performed in this capacity.

The County Office exercises significant influence over operations of the Corporation as it is anticipated that the County Office will be the sole lessee of all facilities owned by the Corporation.

##### Accounting for Fiscal Matters

All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the County Office.

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### B. REPORTING ENTITY (CONTINUED)

#### Accounting for Fiscal Matters (continued)

Any deficits incurred by the Corporation will be reflected in the lease payments of the County Office. Any surpluses of the Corporation revert to the County Office at the end of the lease period.

It is anticipated that the County Office's lease payments will be the sole revenue source of the Corporation.

The County Office has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

#### Scope of Public Service and Financial Presentation

The Corporation was created for the sole purpose of financially assisting the County Office.

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the County Office for construction and acquisition of major capital facilities. Upon completion, the County Office intends to occupy all Corporation facilities. When the Corporation's Refunding lease-purchase agreements have been paid, title to all Corporation property will pass to the County Office for no additional consideration.

The Corporation's financial activity is presented in the financial statements in the County School Service Fund. Refunding lease purchase agreements issued by the Corporation are included in the long-term liabilities.

### C. ACCOUNTING POLICIES

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

### D. BASIS OF PRESENTATION

#### Financial Statements

The basic financial statements include financial statements prepared using full accrual accounting for all of the County Office's activities, including infrastructure, and a focus on the major funds.

#### Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### D. BASIS OF PRESENTATION (CONTINUED)

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

*Program revenues:* Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the County Office's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the County Office's general revenues.

*Allocation of indirect expenses:* The County Office reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included the direct expense of each function. Interest on long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the County Office and for each governmental function, and excludes 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 Office 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 Office. 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 use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their net asset use.

#### Fund Financial Statements

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

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### D. BASIS OF PRESENTATION (CONTINUED)

#### *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 balance 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.

### E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

#### **Accrual**

Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### **Modified Accrual**

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible when the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

#### **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. Generally, available is defined as collectible within 45 to 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: Local Control Funding Formula, interest, certain grants, and other local sources.

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

#### **Revenues (Exchange and Non-Exchange Transactions) (Continued)**

Non-exchange transactions, in which the County Office 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.

#### **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, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### F. FUND ACCOUNTING

The accounts of the County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### Major Governmental Funds

The **County School Service Fund** is the general operating fund of the County Office and accounts for all revenues and expenditures of the County Office not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement expenditures that are not paid through other funds are paid from the County School Service Fund. For financial reporting purposes, the current year activity and year-end balances of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits Fund are combined with the County School Service Fund.

The **Special Education Pass-Through Fund** is used to account for pass-through of revenues to member Local Educational Agencies of the Special Education Local Plan Area.

The **Adult Education Fund** is used to account for revenues received and expenditures made to operate the County Office's adult education program.

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### F. FUND ACCOUNTING (CONTINUED)

#### Non-Major Governmental Funds

The **Child Development Fund** is used to account for the proceeds of revenue sources that are legally restricted to expenditures related to early learning.

Capital Project Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This includes the Capital Facilities Fund.

The **Capital Facilities Fund** is used to account for proceeds from various redevelopment projects that fund facility-related projects serving the needs of the community.

The **County School Facilities Fund** is used to account for the proceeds of revenue sources that are legally restricted to expenditures related to school site modernization.

#### Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County Office maintains two **Custodial Funds** and one **Private-Purpose Trust Fund**.

The **Private-Purpose Trust Funds** are used to account for assets held by the County Office as trustee. The County Office maintains a *Student Scholarship and Loan Fund* to assist students and graduates with post-secondary tuition, fees, and other expenses; and holds funds collected through donation in trust until they are disbursed to recipients pursuant to the rules and protocols established by the scholarship committee.

**Custodial Funds** generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The County Office maintains a *Payroll-Clearing Fund* which is used primarily to account separately for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions, as well as funds held for commercial and other trust activities for all school districts in the county.

### G. BUDGETS AND BUDGETARY ACCOUNTING

By state law, the County Office must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The County Office's governing board satisfied these requirements.

# **SACRAMENTO COUNTY OFFICE OF EDUCATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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### **H. CASH AND CASH EQUIVALENTS**

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

### **I. RECEIVABLES**

Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The County Office has determined that no allowance for doubtful accounts was needed as of June 30, 2023.

### **J. PREPAID EXPENDITURES**

The County Office has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The County Office has chosen to report the expenditures during the benefiting period.

### **K. CAPITAL ASSETS AND DEPRECIATION**

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

### **L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

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

### **M. INTERFUND BALANCES**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs at cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

# **SACRAMENTO COUNTY OFFICE OF EDUCATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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### **N. COMPENSATED ABSENCES**

Compensated absences benefits totaling \$1,970,366 are recorded as a liability of the County Office. The liability is for earned but unused benefits.

### **O. ACCUMULATED SICK LEAVE**

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the County Office since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

### **P. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and/or governmental fund financial statements. Governmental fund payables and accrued liabilities that will be paid from current financial resources are reported as liabilities in the governmental funds balance sheet. In addition to these payables and accrued liabilities, the debt associated with compensated absences, lease-purchase agreements and other long-term obligations are reported as liabilities on the government-wide statement of net position.

### **Q. UNEARNED REVENUE**

Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

### **R. FUND BALANCE – GOVERNMENTAL FUNDS**

Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable Fund Balance* reflects amounts that are not in spendable form, such as revolving fund cash and prepaid expenditures.

*Restricted Fund Balance* reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.



# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### R. FUND BALANCE – GOVERNMENTAL FUNDS (CONTINUED)

*Committed Fund Balance* classification reflects amounts subject to internal constraints self-imposed by formal action of the County Office. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the County Office is required to remove any commitment from any fund balance. At June 30, 2023, the County Office had no committed fund balances.

*Assigned Fund Balance* reflects amounts that the County Office has approved to be used for specific purposes, based on the County Office's intent related to those specific purposes. The County Office can designate personnel with the authority to assign fund balances. The Associate Superintendent Business Services has the authority to assign fund balances as of June 30, 2023.

*Unassigned Fund Balance* represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

In the County School Service Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the County School Service Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the County School Service Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

#### Fund Balance Policy

The County Office has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require county offices of education to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the County Office. At June 30, 2023, the County Office has not established a minimum fund balance policy nor has it established a stabilization arrangement.

### S. NET POSITION

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County Office or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The County Office first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

# **SACRAMENTO COUNTY OFFICE OF EDUCATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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### **S. NET POSITION (CONTINUED)**

#### **Restricted Net Position**

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted program activities is restricted for expenditures only in those particular programs. These amounts are not available for appropriation and expenditure at the balance sheet date. The restrictions for capital projects represent the portions of net position the County Office plans to expend in the future on capital projects. The restriction for retiree benefits represents the portion of net position the County Office has set aside for future payment of retiree benefits. It is the County Office's policy to use restricted net position first when allowable expenditures are incurred.

### **T. PROPERTY TAX**

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Sacramento bills and collects taxes for the County Office. Tax revenues are recognized by the County Office when received.

### **U. ELIMINATIONS AND RECLASSIFICATIONS**

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

### **V. ENCUMBRANCES**

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

### **W. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

# **SACRAMENTO COUNTY OFFICE OF EDUCATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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### **X. PENSIONS**

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

### **Y. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

For purposes of measuring the County Office's OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources, information about the fiduciary net position of the County Office's OPEB Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan 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.

### **Z. FINANCING LEASES**

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term liability and corresponding asset for financial leases are recorded in the financial statements to the extent that the County Office's lease capitalization threshold is met, \$750,000. Amortization of related assets using the straight-line method over the life of the contract. As of June 30, 2023, the County Office did not have any financing leases that met the threshold.

### **AA. SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA)**

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets) as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term liability and corresponding asset for SBITAs are recorded in the financial statements to the extent that the County Office's capitalization threshold is met, \$700,000. Amortization of related assets using the straight-line method over the life of the contract. As of June 30, 2023, the County Office did not have any subscription based information technology agreements that met the threshold.

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 2. CASH AND CASH EQUIVALENTS

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

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	\$ 110,620,517	\$ 1,683,237
Deposits:		
Revolving cash fund	30,000	-
Cash on hand and in banks	162,841	-
Total	<u>\$ 110,813,358</u>	<u>\$ 1,683,237</u>

#### Cash in County Treasury

In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the Sacramento County Treasury. The Sacramento County Treasury pools these funds with those of other districts and agencies within the County in the interest-bearing Sacramento County Treasurer's Pooled Surplus Investment Fund. These pooled funds are recorded at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the County Office's deposits are maintained in a recognized pooled investment fund under the care of a third party and the County Office's share of the pool does not consist of specific, identifiable investment securities owned by the County Office, no disclosure of the individual deposits and investments or related custodial credit risk classification is required.

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities. However, at June 30, 2023, the Sacramento County Treasurer has indicated that the Treasurer's Pooled Surplus Investment Fund contained no derivatives or other investments with similar risk profiles.

The Adult Education and Child Development Funds ended the fiscal year with negative cash balances in the County Treasury due to the timing of the receipt of funding for the programs.

**Custodial Credit Risk.** The County Office limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2023, the carrying amount and the bank balance of the County Office's accounts was \$192,841, all of which was insured.

**Interest Rate Risk.** It is the County Office's policy to limit cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the County Office had no significant interest rate risk related to cash and investments held.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**2. CASH AND CASH EQUIVALENTS (CONTINUED)**

***Credit Risk.*** It is the County Office's policy to limit its investment choices in addition to the limitations of state law.

***Concentration of Credit Risk.*** The County Office does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the County Office had no concentration of credit risk.

**3. INTERFUND ACTIVITIES**

Transactions between funds of the County Office are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds.

**Due from/Due to Other Funds**

Amounts Due from/Due to other funds, at June 30, 2023, were as follows:

Fund	Interfund Receivables	Interfund Payables
<u>Governmental Activities</u>		
<u>Major Funds:</u>		
County School Service Fund	\$ 4,712,300	\$ 991,562
Special Education Pass-Through Fund	523,722	3,982,588
Adult Education Fund	17,678	370,874
<u>Non-Major Fund:</u>		
Child Development Fund	482,639	391,315
Totals	<u>\$ 5,736,339</u>	<u>\$ 5,736,339</u>

**Interfund Transfers**

Amounts transferred, for the fiscal year ended June 30, 2023, were as follows:

Transfer from the County School Service Fund to the Child Development Fund to transfer fund balance.	\$ 478,630
Totals	<u>\$ 478,630</u>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**4. CAPITAL ASSETS**

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

	Balance July 1, 2022	Additions and Transfers	Deductions and Transfers	Balance June 30, 2023
Non-depreciable assets:				
Land	\$ 3,867,027	\$ -	\$ -	\$ 3,867,027
Work in-process	57,197	-	57,197	-
	<u>3,924,224</u>	<u>-</u>	<u>57,197</u>	<u>3,867,027</u>
Depreciable assets:				
Improvements on sites	1,074,034	-	-	1,074,034
Building	52,197,570	2,051,857	-	54,249,427
Equipment	6,756,784	363,765	45,762	7,074,787
	<u>60,028,388</u>	<u>2,415,622</u>	<u>45,762</u>	<u>62,398,248</u>
Totals, at cost	<u>63,952,612</u>	<u>2,415,622</u>	<u>102,959</u>	<u>66,265,275</u>
Less accumulated depreciation:				
Improvements on sites	(648,444)	(46,248)	-	(694,692)
Building	(25,476,310)	(2,093,808)	-	(27,570,118)
Equipment	(5,577,868)	(379,310)	(45,762)	(5,911,416)
Total accumulated depreciation	<u>(31,702,622)</u>	<u>(2,519,366)</u>	<u>(45,762)</u>	<u>(34,176,226)</u>
Capital assets, net	<u>\$ 32,249,990</u>	<u>\$ (103,744)</u>	<u>\$ 57,197</u>	<u>\$ 32,089,049</u>

For the fiscal year ended June 30, 2023, depreciation expense was charged to governmental activities as follows:

Instruction	\$ 367,993
Instructional supervision and administration	80,942
School site administration	149,114
Enterprise activities	33,245
All other general administration	568,102
Centralized data processing	125,733
Plant services	<u>1,194,237</u>
Total depreciation expense	<u>\$ 2,519,366</u>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**5. LONG-TERM LIABILITIES**

**Refunding Lease-Purchase**

On March 1, 2013, the County Office entered into a lease purchase agreement with School Projects Financing Corporation of Sacramento County for current refunding of the 1999 Refunding Certificates of Participation and 2002 Certificates of Participation, Series A. The 2013 Refunding Lease-Purchase matures through 2027 with an effective interest rate of 3.50% as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 330,000	\$ 48,650	\$ 378,650
2025	340,000	37,100	377,100
2026	355,000	25,200	380,200
2027	365,000	12,775	377,775
Totals	<u>\$ 1,390,000</u>	<u>\$ 123,725</u>	<u>\$ 1,513,725</u>

**Schedule of Changes in Long-Term Liabilities**

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2023 is shown below:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Refunding lease-purchase	\$ 1,710,000	\$ -	\$ 320,000	\$ 1,390,000	\$ 330,000
Net pension liability	62,224,604	40,819,677	-	103,044,281	-
Net OPEB liability (asset)	(6,219,189)	12,165,527	-	5,946,338	-
Compensated absences	1,896,051	74,315	-	1,970,366	1,970,366
Totals	<u>\$ 59,611,466</u>	<u>\$ 53,059,519</u>	<u>\$ 320,000</u>	<u>\$ 112,350,985</u>	<u>\$ 2,300,366</u>

Payments on the refunding lease-purchase agreements are made from the County School Service Fund and Capital Facilities Fund. Payments on the compensated absences and other postemployment benefits are made from the fund for which the related employee worked.

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

### 6. EMPLOYEE RETIREMENT SYSTEMS

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

#### Plan Description

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

The County Office of Education contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Headquarters, 400 Q Street, Sacramento, California 95811.

##### **State Teachers' Retirement System (STRS)**

The County Office of Education contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Headquarters, 100 Waterfront Place, West Sacramento, California 95605.

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

	<b>CalPERS</b>		<b>CalSTRS</b>	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	8%	10.25%	10.205%
Required employer contribution rates	25.370%	25.370%	19.10%	19.10%



**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Contributions

**CalPERS**

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 the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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 Office of Education is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**STRS**

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2023, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for each Plan were as follows:

	<b>CalPERS</b>	<b>STRS</b>	<b>Total</b>
Contributions - employer	\$ 9,358,602	\$ 4,644,259	\$ 14,002,861
On behalf contributions - state	-	2,232,620	2,232,620
Total	<u>\$ 9,358,602</u>	<u>\$ 6,876,879</u>	<u>\$ 16,235,481</u>

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

As of June 30, 2023, the County Office of Education's reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	<b>Proportionate Share of Net Pension Liability</b>
CalPERS	\$ 75,253,993
STRS	27,790,288
Total Net Pension Liability	<u>\$ 103,044,281</u>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

The County Office of Education's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The County Office of Education's proportion of the net pension liability was based on a projection of the County Office of Education's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The County Office of Education's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

<b>Measurement Dates</b>	<b>Fiscal Year</b>	<b>CalPERS</b>	<b>STRS</b>
June 30, 2021	2021-22	0.21707%	0.03974%
June 30, 2022	2022-23	0.21870%	0.03999%
Change - Increase (Decrease)		<u>0.00163%</u>	<u>0.00025%</u>

For the year ended June 30, 2023, the County Office of Education recognized pension expense of \$30,223,357. At June 30, 2023, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>CalPERS</b>		<b>STRS</b>		<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 9,358,602	\$ -	\$ 6,876,879	\$ -	\$ 16,235,481	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2021-22	-	2,056,504	313,151	495,971	313,151	2,552,475
Changes of Assumptions	4,254,193	-	9,727,580	-	13,981,773	-
Differences between Expected and Actual Experience	1,653,070	1,467,757	181,951	4,466,855	1,835,021	5,934,612
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	8,538,071	3,562,642	784,205	1,023,600	9,322,276	4,586,242
Net differences between projected and actual investment earnings on pension plan investments	-	2,820,586	-	9,587,752	-	12,408,338
Total	<u>\$ 23,803,936</u>	<u>\$ 9,907,489</u>	<u>\$ 17,883,766</u>	<u>\$ 15,574,178</u>	<u>\$ 41,687,702</u>	<u>\$ 25,481,667</u>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended June 30</b>	<b>CalPERS</b>	<b>STRS</b>	<b>Total Deferred Outflows/ (Inflows) of Resources</b>
2024	\$ 767,858	\$ (1,057,771)	\$ (289,913)
2025	3,166,495	(1,408,167)	1,758,328
2026	(1,160,325)	(2,086,689)	(3,247,014)
2027	1,763,817	67,980	1,831,797
2028	-	18,314	18,314
Thereafter	-	(100,958)	(100,958)
<b>Total</b>	<b>\$ 4,537,845</b>	<b>\$ (4,567,291)</b>	<b>\$ (29,446)</b>

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	<b>CalPERS</b>	<b>STRS</b>
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	6.90%	7.10%
Inflation	2.30%	2.75%
Payroll Growth Rate	2.80%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	6.90%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation.

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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#### 6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

STRS changed the mortality assumptions based on the July 1, 2015 through June 30, 2018, experience study adopted by the board in January 2020. STRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

#### **Discount Rate**

##### **CalPERS**

The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members 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 those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. These discount rates are equal to the long-term expected rate of return of the respective plan assets and are net of investment expense but not reduced for administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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 expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are on the following table:

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

<b>Asset Class</b>	<b>CalPERS</b>	
	<b>Assumed Asset Allocation</b>	<b>Real Return<sup>(a)(b)</sup></b>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.0%</u>	

<sup>(a)</sup> An expected inflation of 2.30% used for this period.

<sup>(b)</sup> Figures are based on the 2021-22 Asset Liability Management study.

**Discount Rate**

**STRS**

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

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from STRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, STRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of the June 30, 2022 measurement date, are summarized in the following table:

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of Return <sup>(a)</sup>
Public Equity	42.0%	4.80%
Real Estate	15.0%	3.60%
Private Equity	13.0%	6.30%
Fixed Income	12.0%	1.30%
Risk Mitigating Strategies	10.0%	1.80%
Inflation Sensitive	6.0%	3.30%
Cash/Liquidity	2.0%	-0.40%
Total	100%	

<sup>(a)</sup> 20-year average.

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

The following presents the County Office of Education's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the County Office of Education's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalPERS		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 108,708,203	\$ 75,253,993	\$ 47,605,317

	STRS		
	Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
Plan's Net Pension Liability/(Asset)	\$ 47,198,216	\$ 27,790,288	\$ 11,675,872

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS and STRS comprehensive annual financial reports available on the CalPERS' and STRS' websites.

**Payable to the Pension Plan**

As of June 30, 2023, the County Office of Education had no outstanding required contributions to the pension plans.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**7. FUND BALANCES**

The County Office reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

Fund Balances, by category, consisted of the following at June 30, 2023:

	<b>County School Service Fund</b>	<b>Special Education Pass-Through Fund</b>	<b>Adult Education Fund</b>	<b>Non-Major Funds</b>	<b>Totals</b>
<b>Nonspendable</b>					
Revolving cash	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Prepaid items	1,220,938	-	29,732	14,196	1,264,866
<b>Subtotal Nonspendable</b>	<b>1,250,938</b>	<b>-</b>	<b>29,732</b>	<b>14,196</b>	<b>1,294,866</b>
<b>Restricted</b>					
CA Community Schools Partnership Act - Planning Grant	180,398	-	-	-	180,398
Educator Effectiveness, FY 2021-22	1,409,326	-	-	-	1,409,326
Lottery: Instructional Materials	145,978	-	-	-	145,978
CalWORKs for ROCP or Adult Education	493	-	-	-	493
Special Education	13,074,764	709,423	-	-	13,784,187
Special Ed: Early Ed Individuals with Exceptional Needs (Infant Program)	1,785,786	-	-	-	1,785,786
Special Ed: Mental Health Services	2,362	1,608,278	-	-	1,610,640
Special Ed: Dispute Prevention and Dispute Resolution	12,949	168,812	-	-	181,761
Special Ed: Learning Recovery Support	6,575	313,785	-	-	320,360
Mental Health-Related Services	399,367	422,646	-	-	822,013
Classified School Employee Professional Development Block Grant	56,543	-	-	-	56,543
A-G Access/Success Grant	98,146	-	-	-	98,146
A-G Learning Loss Mitigation Grant	75,000	-	-	-	75,000
Learning Recovery Emergency Block Grant	1,195,430	-	-	-	1,195,430
Expanded Learning Opportunities (ELO) Grant: Paraprofessional Staff	54,013	-	-	-	54,013
Arts, Music, and Instructional Materials Discretionary Block	253,456	-	-	-	253,456
Other Restricted State	2,022,721	-	-	-	2,022,721
Classified School Employee Summer Assistance Program	322	-	-	-	322
Ongoing & Major Maintenance Account	3,520	-	-	-	3,520
Student Activity Funds	1,254	-	-	-	1,254
Adult Education Program	-	-	197,523	-	197,523
Child Dev: Universal Prekindergarten (UPK) Planning & Implementation	-	-	-	915,971	915,971
Other Restricted Local	850,131	-	-	243,454	1,093,585
<b>Subtotal Restricted</b>	<b>21,628,534</b>	<b>3,222,944</b>	<b>197,523</b>	<b>1,159,425</b>	<b>26,208,426</b>
<b>Assigned</b>					
Other Assignments	61,673,839	-	409,384	15,252	62,098,475
<b>Subtotal Assigned</b>	<b>61,673,839</b>	<b>-</b>	<b>409,384</b>	<b>15,252</b>	<b>62,098,475</b>
<b>Unassigned</b>					
Unassigned/Unappropriated Amount	43,076,475	-	-	-	43,076,475
<b>Subtotal Unassigned</b>	<b>43,076,475</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,076,475</b>
<b>Totals</b>	<b>\$ 127,629,786</b>	<b>\$ 3,222,944</b>	<b>\$ 636,639</b>	<b>\$ 1,188,873</b>	<b>\$ 132,678,242</b>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**8. OTHER POSTEMPLOYMENT BENEFITS**

**General Information about the OPEB Plan**

*Plan description.* The County Office participates in California Employers' Retiree Benefit Trust (CERBT), an agent multi-employer defined benefit other postemployment benefits plan administered by the California Public Employees' Retirement System (CalPERS). Currently the plan provides for monthly health benefits to eligible retirees. Benefit provisions are established by labor agreements and may be amended by such for current active employees. Benefit provisions are approved by the Sacramento County Superintendent of Schools. Separate financial statements are prepared for the Plan and may be obtained by contacting CalPERS.

The CERBT was established by Chapter 331 of the 1988 California Statutes, and employers elect to participate in the CERBT to pre-fund health, dental, and other non-pension postemployment benefits for their retirees and survivors. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. There are three Board approved investment strategies for employers to choose from depending on their expected levels of return and volatility. Benefit provisions are established by participating employers.

*Employees covered by benefit terms.* At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	447
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	608
	<u>1,055</u>

*Contributions.* For the year ended June 30, 2023, the County Office's average contribution rate was 5.65 percent of covered-employee payroll. Employees are not required to contribute to the plan.

**Net OPEB Liability/(Asset)**

The County Office's net OPEB liability/(asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of June 30, 2021.

*Actuarial assumptions.* The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the actuarial assumptions shown on the following page, applied to all periods included in the measurement, unless otherwise specified:



# SACRAMENTO COUNTY OFFICE OF EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2023

#### 8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate	6.19%
General Inflation Rate	2.50% per year
Salary Increase	3.00% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years
Investment rate of return	6.19%, net of plan investment expenses
Healthcare trend rates	5.60% (effective January 2023) and grades down to 4.00% for years 2076 and thereafter
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally from 2015

Demographic actuarial assumptions used in the valuation are based on the following two studies:

*For CalPERS members:* On the December 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements.

*For CalSTRS members:* On the December 2020 CalSTRS experience study report. The representative mortality rates were those published by CalSTRS in the 2020 study before projection.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

In March 2022, CalPERS updated the projected future investment returns for CERBT Strategy 1. CalPERS determined its returns for each major asset class. The target allocation and best estimates of geometric real rates of return published by CalPERS for each major class are split for years 1-5 and years 1 -20. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

#### CERBT Strategy 1

Major Asset Classification	Target Allocation	Years 1-10			Years 11+		
		General Inflation Rate Assumption	1-10 Year Expected Real Rate of Return	Compound Return Years 1-10	General Inflation Rate Assumption	11+ Year Expected Real Rate of Return	Compound Return Years 11+
Global Equity	49%	2.40%	4.40%	6.80%	2.30%	4.50%	6.80%
Fixed Income	23%	2.40%	-1.50%	0.90%	2.30%	0.40%	2.70%
Global Real Estate (REITs)	20%	2.40%	3.00%	5.40%	2.30%	3.70%	6.00%
Treasury Inflation Protected Securities	5%	2.40%	-1.80%	0.60%	2.30%	0.50%	2.80%
Commodities	3%	2.40%	0.80%	3.20%	2.30%	1.10%	3.40%
Total	100%						

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

*Discount rate.* The discount rate used to measure the total OPEB liability was 6.19 percent. The projection of cash flows used to determine the discount rate assumed that contributions from school districts and county offices will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability/(Asset)**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (Asset) (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (Asset) (a) - (b)</b>
Balances at June 30, 2022, Measurement Date 6/30/2021	\$ 64,490,492	\$ 70,709,681	\$ (6,219,189)
Changes for the year:			
Service cost	1,621,745	-	1,621,745
Interest	4,001,403	-	4,001,403
Expected investment income	-	4,376,375	(4,376,375)
Investment experience	-	(13,839,288)	13,839,288
Contributions - employer	-	2,938,441	(2,938,441)
Benefit payments	(2,938,441)	(2,938,441)	-
Administrative expense	-	(17,907)	17,907
Net changes	<u>2,684,707</u>	<u>(9,480,820)</u>	<u>12,165,527</u>
Balances at June 30, 2023, Measurement Date 6/30/2022	<u>\$ 67,175,199</u>	<u>\$ 61,228,861</u>	<u>\$ 5,946,338</u>

*Sensitivity of the net OPEB liability/(asset) to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability/(asset) of the County Office, as well as what the County Office's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.19 percent) or 1-percentage-point higher (7.19 percent) than the current discount rate:

	<b>Current - 1% 5.19%</b>	<b>Current 6.19%</b>	<b>Current + 1% 7.19%</b>
Net OPEB liability (asset)	\$ 14,866,678	\$ 5,946,338	\$ (1,452,987)

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

*Sensitivity of the net OPEB liability/(asset) to changes in the healthcare cost trend rates.* The following presents the net OPEB liability/(asset) of the County Office, as well as what the County Office's net OPEB liability/(asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>Current Trend - 1%</b>	<b>Current Trend</b>	<b>Current Trend + 1%</b>
Net OPEB liability (asset)	\$ (1,646,511)	\$ 5,946,338	\$ 15,229,992

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS annual comprehensive financial report.

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

For the year ended June 30, 2023, the County Office recognized OPEB expense of \$4,298,351. At June 30, 2023, the County Office reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 8,913,365
Changes of assumptions	5,596,956	377,440
Net difference between projected and actual earnings on OPEB plan investments	5,045,462	-
Deferred contributions	3,170,079	-
Total	<u>\$ 13,812,497</u>	<u>\$ 9,290,805</u>

The County Office will recognize the contributions made subsequent to the measurement date in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

<b>Year Ended June 30</b>	<b>Total Deferred Outflows/(Inflows) of Resources</b>
2024	\$ (616,451)
2025	(891,936)
2026	(402,220)
2027	3,100,438
2028	161,782
Total	<u>\$ 1,351,613</u>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Payable to the OPEB Plan**

The County Office had no outstanding contributions payable to the Plan required for the year ended June 30, 2023.

**9. JOINT VENTURES**

**Schools Insurance Authority**

The County Office is a member of a Joint Powers Authority, Schools Insurance Authority for the operation of a common risk management and insurance program for property, liability, and workers' compensation coverage. The following is a summary of financial information for Schools Insurance Authority for the year ended June 30, 2022:

Total assets	\$ 211,771,868
Deferred outflow of resources	1,751,462
Total liabilities	86,615,462
Deferred inflow of resources	3,674,124
Total net position	\$ 123,233,744
Total revenues	\$ 74,688,758
Total expenses	81,813,014
Change in net position	\$ (7,124,256)
Contributions in the current year	\$ 1,181,819

The relationship between the County Office and the Joint Powers Authority is such that the joint powers authority is not a component unit of the County Office for financial reporting purposes. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**10. COMMITMENTS AND CONTINGENCIES**

The County Office is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the County Office.

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

**11. SUBSEQUENT EVENTS**

The County Office's management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2023 through March 27, 2024, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**COUNTY SCHOOL SERVICE FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Budget</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
LCFF sources	\$ 30,409,085	\$ 32,801,703	\$ 32,801,703	\$ -
Federal revenue	12,846,363	16,708,149	16,708,131	(18)
Other state revenues	24,970,216	27,422,451	27,422,426	(25)
Other local revenues	43,690,960	64,281,765	64,282,297	532
Total revenues	111,916,624	141,214,068	141,214,557	489
<b>EXPENDITURES</b>				
Certificated salaries	26,650,952	24,605,925	24,605,880	45
Classified salaries	34,230,944	33,057,002	33,056,901	101
Employee benefits	24,544,957	24,545,952	24,545,579	373
Books and supplies	2,326,836	3,132,391	3,115,720	16,671
Services and other operating expenditures	19,809,040	40,149,935	40,145,566	4,369
Capital outlay	840,000	2,358,425	2,358,425	-
Other outgo	(64,512)	179,869	37,091	142,778
Debt service:				
Principal retirement	-	-	142,778	(142,778)
Total expenditures	108,338,217	128,029,499	128,007,940	21,559
Excess (deficiency) of revenues over expenditures	3,578,407	13,184,569	13,206,617	22,048
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(489,150)	(478,630)	(478,630)	-
Total other financing sources (uses)	(489,150)	(478,630)	(478,630)	-
Net change in fund balances	3,089,257	12,705,939	12,727,987	22,048
Fund balances, July 1, 2022	114,901,799	114,901,799	114,901,799	-
Fund balances, June 30, 2023	\$ 117,991,056	\$ 127,607,738	\$ 127,629,786	\$ 22,048

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**SPECIAL EDUCATION PASS-THROUGH FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
LCFF sources	\$ 9,099,772	\$ 11,633,941	\$ 11,633,941	\$ -
Federal revenue	-	1,803,484	1,803,484	-
Other state revenues	2,479,357	4,003,391	4,003,391	-
Total revenues	11,579,129	17,440,816	17,440,816	-
<b>EXPENDITURES</b>				
Other outgo	11,579,149	17,383,214	17,383,214	-
Total expenditures	11,579,149	17,383,214	17,383,214	-
Net change in fund balances	(20)	57,602	57,602	-
Fund balances, July 1, 2022	3,165,342	3,165,342	3,165,342	-
Fund balances, June 30, 2023	\$ 3,165,322	\$ 3,222,944	\$ 3,222,944	\$ -



**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**ADULT EDUCATION FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Budget</b>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Federal revenue	\$ 3,972,219	\$ 3,566,565	\$ 3,566,565	\$ -
Other state revenues	14,108,164	14,142,029	14,142,029	-
Other local revenues	-	54,002	54,002	-
Total revenues	18,080,383	17,762,596	17,762,596	-
<b>EXPENDITURES</b>				
Certificated salaries	1,273,569	1,155,760	1,155,760	-
Classified salaries	1,872,927	1,776,089	1,776,089	-
Employee benefits	1,107,551	998,681	998,681	-
Books and supplies	46,400	52,753	52,753	-
Services and other operating expenditures	1,182,391	777,708	777,708	-
Other outgo	12,766,880	12,886,395	12,886,395	-
Total expenditures	18,249,718	17,647,386	17,647,386	-
Net change in fund balances	(169,335)	115,210	115,210	-
Fund balances, July 1, 2022	521,429	521,429	521,429	-
Fund balances, June 30, 2023	\$ 352,094	\$ 636,639	\$ 636,639	\$ -

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Fiscal Year 2022-23</b>	<b>Fiscal Year 2021-22</b>	<b>Fiscal Year 2020-21</b>	<b>Fiscal Year 2019-20</b>	<b>Fiscal Year 2018-19</b>	<b>Fiscal Year 2017-18</b>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability						
Service cost	\$ 1,621,745	\$ 1,304,997	\$ 1,279,141	\$ 1,576,266	\$ 1,398,706	\$ 1,354,679
Interest	4,001,403	4,106,990	3,947,351	4,640,603	4,465,989	4,270,665
Changes of benefit terms	-	-	-	2,080,458	-	-
Differences between expected and actual experience	-	(4,882,598)	-	(14,299,079)	-	-
Changes of assumptions	-	7,109,676	(143,340)	(774,185)	2,909,096	-
Benefit payments	(2,938,441)	(2,730,329)	(2,860,489)	(3,087,637)	(2,996,835)	(2,975,856)
Net change in total OPEB liability	2,684,707	4,908,736	2,222,663	(9,863,574)	5,776,956	2,649,488
Total OPEB liability - beginning	64,490,492	59,581,756	57,359,093	67,222,667	61,445,711	58,796,223
Total OPEB liability - ending (a)	\$ 67,175,199	\$ 64,490,492	\$ 59,581,756	\$ 57,359,093	\$ 67,222,667	\$ 61,445,711
Plan fiduciary net position						
Contributions - employer	\$ 2,938,441	\$ 3,730,329	\$ 2,617,347	\$ 3,363,637	\$ 15,002,835	\$ 4,175,856
Net investment income	(9,462,913)	15,144,890	1,871,589	3,079,843	3,425,503	3,188,088
Benefit payments	(2,938,441)	(2,730,329)	(2,860,489)	(3,087,637)	(2,996,835)	(2,975,856)
Administrative expense	(17,907)	(20,868)	(25,879)	(10,650)	(24,081)	(16,170)
Other expenses	-	-	-	-	(45,336)	-
Net change in plan fiduciary net position	(9,480,820)	16,124,022	1,602,568	3,345,193	15,362,086	4,371,918
Plan fiduciary net position - beginning	70,709,681	54,585,659	52,983,091	49,637,898	34,275,812	29,903,894
Plan fiduciary net position - ending (b)	\$ 61,228,861	\$ 70,709,681	\$ 54,585,659	\$ 52,983,091	\$ 49,637,898	\$ 34,275,812
County Office's net OPEB liability (asset) - ending (a) - (b)	\$ 5,946,338	\$ (6,219,189)	\$ 4,996,097	\$ 4,376,002	\$ 17,584,769	\$ 27,169,899
Plan fiduciary net position as a percentage of the total OPEB liability	91.1%	109.6%	91.6%	92.4%	73.8%	55.8%
Covered-employee payroll	\$ 54,492,292	\$ 52,905,138	\$ 51,105,313	\$ 49,096,813	\$ 46,957,851	\$ 45,780,098
County Office's net OPEB liability (asset) as a percentage of covered-employee payroll	10.9%	-11.8%	9.8%	8.9%	37.4%	59.3%

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF OPEB CONTRIBUTIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Actuarially determined contribution	\$ 1,318,394	\$ 1,261,090	\$ 1,766,899	\$ 1,716,904	\$ 2,712,051	\$ 2,699,773
Contributions in relation to the actuarially determined contribution	\$ (3,170,079)	\$ (1,261,090)	\$ (3,730,329)	\$ (2,617,347)	\$ (3,363,637)	(15,002,835)
Contribution deficiency (excess)	<u>\$ (1,851,685)</u>	<u>\$ -</u>	<u>\$ (1,963,430)</u>	<u>\$ (900,443)</u>	<u>\$ (651,586)</u>	<u>\$ (12,303,062)</u>
Covered-employee payroll	\$ 56,097,973	\$ 54,492,292	\$ 52,905,138	\$ 51,105,313	\$ 49,096,813	\$ 46,957,851
Contributions as a percentage of covered-employee payroll	5.65%	2.31%	7.05%	5.12%	6.85%	31.95%

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>CalPERS</b>	<b>June 30, 2014 <sup>(1)</sup></b>	<b>June 30, 2015 <sup>(1)</sup></b>	<b>June 30, 2016 <sup>(1)</sup></b>	<b>June 30, 2017 <sup>(1)</sup></b>	<b>June 30, 2018 <sup>(1)</sup></b>	<b>June 30, 2019 <sup>(1)</sup></b>	<b>June 30, 2020 <sup>(1)</sup></b>	<b>June 30, 2021 <sup>(1)</sup></b>	<b>June 30, 2022 <sup>(1)</sup></b>
Proportion of the net pension liability (asset)	0.22390%	0.21131%	0.20316%	0.19764%	0.20434%	0.20065%	0.15515%	0.21707%	0.21870%
Proportionate share of the net pension liability (asset)	\$ 25,417,637	\$ 31,147,323	\$ 40,123,477	\$ 47,182,985	\$ 54,483,480	\$ 58,476,824	\$ 47,605,858	\$ 44,140,049	\$ 75,253,993
Covered payroll <sup>(2)</sup>	\$ 22,846,564	\$ 23,243,969	\$ 20,790,870	\$ 22,537,338	\$ 23,175,556	\$ 25,453,608	\$ 28,067,990	\$ 28,138,621	\$ 30,269,732
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	111.25%	134.00%	192.99%	209.35%	235.09%	229.74%	169.61%	156.87%	248.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%	70.00%	80.97%	69.76%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 2,689,269	\$ 2,753,713	\$ 2,887,436	\$ 3,500,274	\$ 4,185,969	\$ 5,019,706	\$ 5,810,074	\$ 6,446,558	\$ 7,679,431
<b>STRS</b>	<b>June 30, 2014 <sup>(1)</sup></b>	<b>June 30, 2015 <sup>(1)</sup></b>	<b>June 30, 2016 <sup>(1)</sup></b>	<b>June 30, 2017 <sup>(1)</sup></b>	<b>June 30, 2018 <sup>(1)</sup></b>	<b>June 30, 2019 <sup>(1)</sup></b>	<b>June 30, 2020 <sup>(1)</sup></b>	<b>June 30, 2021 <sup>(1)</sup></b>	<b>June 30, 2022 <sup>(1)</sup></b>
Proportion of the net pension liability (asset)	0.04510%	0.04250%	0.04234%	0.04031%	0.03900%	0.04070%	0.03973%	0.03974%	0.03999%
Proportionate share of the net pension liability (asset)	\$ 26,356,289	\$ 28,611,409	\$ 34,245,364	\$ 37,283,042	\$ 35,843,728	\$ 36,761,526	\$ 38,505,657	\$ 18,084,555	\$ 27,790,288
Covered payroll <sup>(2)</sup>	\$ 18,663,378	\$ 16,324,427	\$ 17,998,148	\$ 18,627,235	\$ 18,401,130	\$ 20,829,117	\$ 24,084,514	\$ 24,093,842	\$ 23,194,770
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	141.22%	175.27%	190.27%	200.15%	194.79%	176.49%	159.88%	75.06%	119.81%
Plan fiduciary net position as a percentage of the total pension liability (asset)	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%	81.20%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 1,657,308	\$ 1,751,611	\$ 2,264,167	\$ 2,687,910	\$ 2,995,704	\$ 3,561,779	\$ 3,889,649	\$ 4,076,678	\$ 4,430,201

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. This is the measurement date of the actuary report.

<sup>(2)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

<sup>(3)</sup> The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>CalPERS</b>	<b>Fiscal Year 2014-15 <sup>(1)</sup></b>	<b>Fiscal Year 2015-16 <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 <sup>(1)</sup></b>	<b>Fiscal Year 2017-18 <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 <sup>(1)</sup></b>	<b>Fiscal Year 2019-20 <sup>(1)</sup></b>	<b>Fiscal Year 2020-21 <sup>(1)</sup></b>	<b>Fiscal Year 2021-22 <sup>(1)</sup></b>	<b>Fiscal Year 2022-23 <sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 2,689,269	\$ 2,753,713	\$ 2,887,436	\$ 3,500,274	\$ 4,185,969	\$ 5,019,706	\$ 5,810,074	\$ 6,446,558	\$ 7,679,431
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(2,754,193)	(2,883,518)	(3,498,257)	(4,187,132)	(5,018,237)	(5,814,678)	(6,440,805)	(7,685,117)	(9,358,602)
Contribution deficiency (excess)	<u>\$ (64,924)</u>	<u>\$ (129,805)</u>	<u>\$ (610,821)</u>	<u>\$ (686,858)</u>	<u>\$ (832,268)</u>	<u>\$ (794,972)</u>	<u>\$ (630,731)</u>	<u>\$ (1,238,559)</u>	<u>\$ (1,679,171)</u>
Covered payroll <sup>(3)</sup>	\$ 22,846,564	\$ 23,243,969	\$ 20,790,870	\$ 22,537,338	\$ 23,175,556	\$ 25,453,608	\$ 28,067,990	\$ 28,138,621	\$ 30,269,732
Contributions as a percentage of covered payroll <sup>(3)</sup>	11.771%	11.847%	13.888%	15.531%	18.062%	19.721%	20.700%	22.910%	25.370%
<b>STRS</b>	<b>Fiscal Year 2014-15 <sup>(1)</sup></b>	<b>Fiscal Year 2015-16 <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 <sup>(1)</sup></b>	<b>Fiscal Year 2017-18 <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 <sup>(1)</sup></b>	<b>Fiscal Year 2019-20 <sup>(1)</sup></b>	<b>Fiscal Year 2020-21 <sup>(1)</sup></b>	<b>Fiscal Year 2021-22 <sup>(1)</sup></b>	<b>Fiscal Year 2022-23 <sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 1,657,308	\$ 1,751,611	\$ 2,264,167	\$ 2,687,910	\$ 2,995,704	\$ 3,561,779	\$ 3,889,649	\$ 4,076,678	\$ 4,430,201
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(1,791,944)	(2,277,301)	(2,715,275)	(3,045,402)	(3,604,582)	(3,765,847)	(3,525,918)	(3,929,251)	(4,644,259)
Contribution deficiency (excess)	<u>\$ (134,636)</u>	<u>\$ (525,690)</u>	<u>\$ (451,108)</u>	<u>\$ (357,492)</u>	<u>\$ (608,878)</u>	<u>\$ (204,068)</u>	<u>\$ 363,731</u>	<u>\$ 147,427</u>	<u>\$ (214,058)</u>
Covered payroll <sup>(3)</sup>	\$ 18,663,378	\$ 16,324,427	\$ 17,998,148	\$ 18,627,235	\$ 18,401,130	\$ 20,829,117	\$ 24,084,514	\$ 24,093,842	\$ 23,194,770
Contributions as a percentage of covered payroll <sup>(3)</sup>	8.880%	10.730%	12.580%	14.430%	16.280%	17.100%	16.150%	16.920%	19.100%

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Employers are assumed to make contributions equal to the contractually required contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the contractually required contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

<sup>(3)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**1. PURPOSE OF SCHEDULES**

**A - Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual**

The County Office employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the County School Service, Special Education Pass-Through, and Adult Education Funds are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

**B - Schedule of Changes in the Net OPEB Liability/(Asset) and Related Ratios**

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability/(Asset). However, since June 30, 2018 was the first year of implementation, only six years are currently available.

**C - Schedule of OPEB Contributions**

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year ended June 30, 2023 were from the June 30, 2021 valuation.

Actuarial cost method	Entry Age Normal
Amortization method	Level \$ of pay
Amortization period	Open 30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare cost trend rates	5.70% in 2022, down to 4.00% by 2076
Salary increases	3.00%
Investment rate of return	6.19%
Retirement age	Ages 50 to 75
Mortality	CalPERS 2017 Study; CalSTRS 2020 Study
Mortality improvement	MacLeod Watts Scale 2020 applied generationally

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**1. PURPOSE OF SCHEDULES (CONTINUED)**

**D - Schedule of Proportionate Share of the Net Pension Liability**

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

*Changes in Assumptions*

The discount rate changed for CalPERS from 7.15% to 6.90%. The inflation rate for CalPERS changed from 2.50% to 2.30%. The payroll growth rate for CalPERS changed from 2.75% to 2.80%. There were no changes in assumptions for CalSTRS.

*Changes in Benefit Terms*

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

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

**E - Schedule of Pension Contributions**

If an employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plans (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll. In the future, as data becomes available, ten years of information will be presented.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

	<u><b>CalPERS</b></u>	<u><b>STRS</b></u>
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	6.90%	7.10%
Inflation	2.30%	2.75%
Payroll Growth Rate	2.80%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	6.90%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation.

## **SUPPLEMENTARY INFORMATION**



**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**COMBINING BALANCE SHEET**

**NON-MAJOR FUNDS**

**JUNE 30, 2023**

	<b>Child Development Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ (2,063,601)	\$ 243,454	\$ (7,150,483)	\$ (8,970,630)
Receivables	4,130,949	-	7,150,483	11,281,432
Prepaid expenditures	14,196	-	-	14,196
Due from other funds	482,639	-	-	482,639
Total Assets	<u>\$ 2,564,183</u>	<u>\$ 243,454</u>	<u>\$ -</u>	<u>\$ 2,807,637</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 818,228	\$ -	\$ -	\$ 818,228
Unearned revenue	409,221	-	-	409,221
Due to other funds	391,315	-	-	391,315
Total Liabilities	<u>1,618,764</u>	<u>-</u>	<u>-</u>	<u>1,618,764</u>
Fund balances				
Nonspendable	14,196	-	-	14,196
Restricted	915,971	243,454	-	1,159,425
Assigned	15,252	-	-	15,252
Total Fund Balances	<u>945,419</u>	<u>243,454</u>	<u>-</u>	<u>1,188,873</u>
Total Liabilities and Fund Balances	<u>\$ 2,564,183</u>	<u>\$ 243,454</u>	<u>\$ -</u>	<u>\$ 2,807,637</u>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

**NON-MAJOR FUNDS**

**JUNE 30, 2023**

	<b>Child Development Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Totals</b>
<b>REVENUES</b>				
Federal revenue	\$ 4,979,042	\$ -	\$ -	\$ 4,979,042
Other state revenues	4,429,108	-	-	4,429,108
Other local revenues	1,331,041	342,844	-	1,673,885
Total revenues	10,739,191	342,844	-	11,082,035
<b>EXPENDITURES</b>				
Certificated salaries	778,865	-	-	778,865
Classified salaries	2,431,762	-	-	2,431,762
Employee benefits	1,273,435	-	-	1,273,435
Books and supplies	308,125	-	-	308,125
Services and other operating expenditures	5,731,531	-	-	5,731,531
Other outgo	400,354	-	-	400,354
Debt service				
Principal	-	177,222	-	177,222
Interest	-	59,850	-	59,850
Total expenditures	10,924,072	237,072	-	11,161,144
Excess (deficiency) of revenues over expenditures	(184,881)	105,772	-	(79,109)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	478,630	-	-	478,630
Total other financing sources (uses)	478,630	-	-	478,630
Net change in fund balances	293,749	105,772	-	399,521
Fund balances, July 1, 2022	651,670	137,682	-	789,352
Fund balances, June 30, 2023	\$ 945,419	\$ 243,454	\$ -	\$ 1,188,873

# SACRAMENTO COUNTY OFFICE OF EDUCATION

## ORGANIZATION

**JUNE 30, 2023**

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The Sacramento County Office of Education (County Office) operates a variety of programs for children, youth, and families and also supports schools throughout Sacramento County with academic, business, consulting and vocational services. The County Office educates children with special needs, children who have been referred by other public agencies, and youth who are wards of the Juvenile Court. Through specific programs and grants, the County Office provides educational services to preschool children, youth and adults. As the intermediary between the California Department of Education and local school districts, the County Office represents districts on matters before the State government, and carries out responsibilities mandated by statutes and regulations.

## GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires June</u>
Bina Lefkovitz	Member	2026
Paul A. Keefer, Ed.D.	President	2026
Joanne Ahola	Member	2024
O. Alfred Brown, Sr.	Member	2024
Heather Davis	Vice President	2024
Harold Fong	Member	2024
Mariana Corona Sabeniano	Member	2026

## ADMINISTRATION

David W. Gordon  
County Superintendent

Nancy Herota, Ed.D.  
Deputy Superintendent

Teresa Stinson  
General Counsel

Nicolas Schweizer  
Associate Superintendent, Business Services

Darrien Slider-Johnson  
Chief Administrator, Human Resources

Jacqueline White  
Assistant Superintendent,  
Juvenile Court/Community Schools and Career Technical Education

Brent Malicote  
Assistant Superintendent, Educational Services

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Second Period Report</b>	<b>Revised Second Period Report*</b>	<b>Annual Report</b>	<b>Revised Annual Report**</b>
<b>County Office of Education</b>				
Juvenile Court Schools				
Juvenile Halls, Homes, and Camps				
Elementary	9.96	10.04	11.41	11.41
High School	107.04	107.04	110.57	110.57
Subtotal	117.00	117.08	121.98	121.98
<b>County Funded Non-Juvenile Court Schools</b>				
Probation Referred, On Probation or Parole, Expelled				
Elementary	8.76	8.76	8.44	8.44
High School	14.72	14.72	17.06	17.06
Subtotal	23.48	23.48	25.50	25.50
Total ADA (COE)	140.48	140.56	147.48	147.48
<b>District Funded County Programs</b>				
County Community Schools				
Fourth through Sixth	-	-	-	-
Seventh through Eighth	147.78	147.78	140.34	140.34
Ninth through Twelfth	396.98	396.98	412.24	412.24
Subtotal	544.76	544.76	552.58	552.58
Special Education				
TK through Third	20.72	20.72	22.30	22.21
Fourth through Sixth	22.51	22.51	22.67	22.67
Seventh through Eighth	30.82	30.82	31.22	31.22
Ninth through Twelfth	80.61	80.61	84.82	84.97
Subtotal	154.66	154.66	161.01	161.07
Total ADA (District Funded County Programs)	699.42	699.42	713.59	713.65

\* The revision to the Second Period Report of Attendance was not the result of the audit.

\*\* The revision to the Annual Report of Attendance was not the result of the audit.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF CHARTER SCHOOLS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Charter School ID Number	Charter Schools Chartered by the County Office	Included in the County Office's Financial Statements, or Separate Report
1313	Fortune Charter School	Separate Report
2100	American River Collegiate Academy	Separate Report

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FIRST 5 CALIFORNIA REVENUES AND EXPENDITURES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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Revenues:	
Other Local Revenue	\$ 977,164
	<hr/>
Expenditures:	
Classified salaries	422,459
Employee benefits	179,211
Books and supplies	66,414
Contract services and operating expenditures	247,014
Other outgo	62,066
	<hr/>
Total Expenditures	977,164
	<hr/>
Net income	-
Net position, July 1, 2022	-
	<hr/>
Net position, June 30, 2023	\$ -
	<hr/> <hr/>

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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There were no adjustments made to any of the funds of the County Office.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>Assistance Listing Number</b>	<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass- Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
	Special Education Cluster (IDEA)		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 1,514,010
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619	13430	4,826
84.027A	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	15197	209,307
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	13431	1,000
84.027A	Special Ed: Alternative Dispute Resolution, Part B, Sec 611	13007	131,486
84.027	Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	15638	338,894
84.173	Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	15639	49,417
N/A	Supporting Early Education Delivery System (SEEDS)	13839	425,321
	Subtotal Special Education Cluster (IDEA)		2,674,261
	Title I Program Cluster		
84.010	ESSA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	1,418,413
84.010	ESSA: School Improvement Funding for COEs	15439	575,008
84.010	ESSA: Title I, Part D, Local Delinquent Programs	14357	587,099
	Subtotal Title I Program Cluster		2,580,520
	Education Stabilization Fund (ESF) Cluster		
84.425	Elementary and Secondary School Emergency Relief II (ESSER II) Fund	11547	* 1,120,085
84.425	Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	* 797,712
84.425C	Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	15517	* 1,128,262
84.425U	Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	15621	* 18,036
84.425	American Rescue Plan-Homeless Children and Youth (ARP - Homeless I)	15564	* 221,677
84.425	American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	15566	* 24,176
	Subtotal Education Stabilization Fund (ESF) Cluster		3,309,948
	Other		
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	54,626
84.287	ESSA: Title IV, 21st Century Community Learning Centers Technical Assistance	14350	644,376
84.002	Adult Education: State Leadership Projects	13970	3,566,565
84.181X	Special Ed: ARP IDEA Part C, Early Education Program	25657	23,721
84.181	Special Ed: IDEA Early Intervention Grants	23761/24314	547,773
84.196	ESSA: Title IX, Part A, McKinney-Vento Homeless Assistance Grants	14332	255,500
84.365	ESSA: Title III, Technical Assistance	14967	104,676
84.367	ESSA: Title II, Part A, Supporting Effective Instruction	14341	* 1,222,189
84.424	ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	96,817
84.367	ESSA: Title II, Part A, 21st Century California School Leadership Academy	15664	* 1,968,948
84.369	ESSA: Title V, Flexibility and Accountability	14501	717,874
84.027A	California Dyslexia Initiative	15546	460,856
	Subtotal Other		9,663,921
<i>Passed through Small School Districts Association</i>			
N/A	Computer Science in Rural California: Training, Implementation, Teaching, and Learning	N/A	1,404,026
	Subtotal		1,404,026
	Total U.S. Department of Education		19,632,676

\* Tested as major programs

(continued)



**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>Assistance Listing Number</b>	<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass- Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Rehabilitation</u>			
<i>Passed through California Department of Education</i>			
N/A	Department of Rehabilitation: Workability II, Transitions Partnership Program	N/A	23,166
	Total U.S. Department of Rehabilitation		23,166
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
	Child Nutrition Cluster		
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	71,422
10.555	School Lunch Program - Nonmonetary Assistance	13391	32,963
	Total U.S. Department of Agriculture		104,385
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through California Department of Education</i>			
	CCDF Program		
93.575	Child Development: Quality Improvement Activities	14130/14092 *	4,122,798
93.575	Child Development: Local Planning Councils	13946 *	40,585
	Subtotal CCDF Program Cluster		4,163,383
	Head Start		
93.600	SETA - Early Head Start	N/A	755,638
93.600	COVID-19 – SETA - Early Head Start	N/A	51,484
93.600	SETA Early Head Start CRRSA	N/A	8,537
	Subtotal Medicaid Cluster		815,659
	Substance Abuse Prevention and Treatment Block Grant (SABG)		
93.959	Prevention Coalition	N/A	297,276
93.959	Alcohol and Substance Abuse Prevention	N/A	612,559
93.959	Friday Night Live - Club Live	N/A	350,000
93.959	Friday Night Live - Mentoring	N/A	82,189
93.959	ARPA Friday Night Live ASAP 3.0	N/A	568,468
93.959	SABG CRRSAA Friday Night Live	N/A	47,638
93.959	SABG ARPA Friday Night Live	N/A	19,499
	CRRSAA Perinatal Funds	N/A	30,000
	Subtotal Substance Abuse Prevention and Treatment Block Grant (SABG)		2,007,629
	Other		
93.243	Advancing Wellness & Resilience in Education (NITT-AWARE) Program	15520	272,345
	Subtotal Other		272,345
	Total U.S. Department of Health and Human Services		7,259,016
<u>U.S. Department of Homeland Security</u>			
97.01	Citizenship & Integration Grant: Innov in Citizenship	N/A	78,994
	Total U.S. Department of Homeland Security		78,994
	Total Federal Programs		\$ 27,098,237

\* Tested as major programs

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Adopted Budget 2023/2024</b>	<b>Actuals 2022/2023</b>	<b>Actuals 2021/2022</b>	<b>Actuals 2020/2021</b>
<b><u>County School Service Fund</u></b>				
Revenues and Other Financial Sources	\$ 145,494,278	\$ 141,214,557	\$ 121,873,772	\$ 111,263,577
Expenditures	144,557,920	128,007,940	110,423,358	97,961,556
Other Uses and Transfers Out	356,000	478,630	456,863	517,381
Total Outgo	144,913,920	128,486,570	110,880,221	98,478,937
Change in Fund Balance	580,358	12,727,987	10,993,551	12,784,640
Ending Fund Balance	\$ 128,210,144	\$ 127,629,786	\$ 114,901,799	\$ 103,908,248
Available Reserves	\$ 50,202,453	\$ 43,076,475	\$ 94,893,607	\$ 36,214,567
Reserve for Economic Uncertainties	\$ -	\$ -	\$ -	\$ 2,132,000
Unassigned Fund Balance	\$ 50,202,453	\$ 43,076,475	\$ 94,893,607	\$ 34,082,567
Available Reserves as a Percentage of Total Outgo	34.6%	33.5%	85.6%	36.8%
<b><u>All Funds</u></b>				
Total Long-Term Debt	\$ 110,050,619	\$ 112,350,985	\$ 59,611,466	\$ 95,310,134
Actual Daily Attendance at Annual	831	699	656	1,003

The County School Service Fund above includes the activities and year-end balances of the Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits. The County School Service Fund fund balance has increased \$36,506,178 over the past three years. The fiscal year 2023-24 projects an increase of \$580,358. For a County Office this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses. The County Office has met this requirement for the fiscal year ended June 30, 2023.

The County School Service Fund had an operating surplus in all of the past three fiscal years, and anticipates incurring an operating surplus during the 2023-24 fiscal year.

Long-term debt increased over the past two years by \$17,040,851 due to changes to the net pension liabilities and the OPEB liability balance as of the fiscal year ended June 30, 2023.

Average Daily Attendance decreased by 304 ADA over the past two years. An increase of 132 ADA is anticipated for the 2023-24 fiscal year.

# **SACRAMENTO COUNTY OFFICE OF EDUCATION**

## **NOTES TO SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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### **1. PURPOSE OF SCHEDULES**

#### **A. Schedule of Average Daily Attendance**

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

#### **B. Schedule of Charter Schools**

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

#### **C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides information necessary to reconcile the Annual Financial and Budget Reports to the audited financial statements.

#### **D. Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards includes federal grant activity of the County Office and is presented under the modified accrual basis of accounting. The May 2023 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) require a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The County Office has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair value of federal food commodities received from the California Department of Education as a pass-through grant from the U.S. Department of Agriculture that are not reflected in the financial statements.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**NOTES TO SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**1. PURPOSE OF SCHEDULES (CONTINUED)**

**D. Schedule of Expenditures of Federal Awards**

	<b>Assistance Listing Number</b>	<b>Amount</b>
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 27,057,222
Reconciling items		
Pandemic EBT Local Administrative Grant	10.649	8,052
Food Distribution - Commodities	10.555	32,963
Total Federal Revenues from the Schedule of Expenditures of Federal Awards		<u>\$ 27,098,237</u>

**E. Schedule of Financial Trends and Analysis**

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

**2. EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of the County Offices which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2023, the County Office did not adopt such a program.

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

County Superintendent of Schools and  
Board of Education  
Sacramento County Office of Education  
Sacramento, California

### **Report on Compliance**

#### **Opinion**

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

In our opinion, Sacramento County Office of Education complied, in all material respects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

#### **Basis for Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County Office 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 Office'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 Office'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 Office's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting will always detect a material noncompliance when it exists.

The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County Office's compliance with the requirements of the state programs as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County Office'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 Office's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the County Office's internal controls over compliance. Accordingly, we express no such opinion; and

Select and test transactions and records to determine the County Office's compliance with the state laws and regulations applicable to the following items:

<b>Local Education Agencies Other Than Charter Schools</b>	
<b>Description</b>	<b>Procedures Performed</b>
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	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive Program	No, see below
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**

<b>Description</b>	<b>Procedures Performed</b>
California Clean Energy Jobs Act	No, see below
After/Before Schools Education and Safety Program	No, see below
General requirements	No, see below
After School	No, see below
Before School	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	No, see below
Transitional Kindergarten	No, see below

**Charter Schools**

<b>Description</b>	<b>Procedures Performed</b>
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

We did not perform any procedures related to Kindergarten Continuation and Transitional Kindergarten because the County Office does not report ADA for Kindergarten and Transitional Kindergarten students.

We did not perform any procedures related to Instructional Time, Ratio of Administrative Employees to Teachers, Classroom Teacher Salaries, Middle or Early College High Schools, K-3 Grade Span Adjustment, and District of Choice because these compliance requirements do not apply to County Offices of Education.

We did not perform any procedures related to Transportation Maintenance of Effort because the County Office did not have expenditures as specified in Education Code Section 2575(k) in the 2012-13 fiscal year.

We did not perform any procedures related to California Clean Energy Jobs Act as the projects were completed in prior years.

We did not perform any procedures related to Continuation Education, Early Retirement Incentive, After/Before School Education and Safety Program, and Independent Study-Course Based because the County Office did not offer these programs.

We did not perform any procedures related to Career Technical Education Incentive Grant as the County Office did not receive any funding in the current year.

We did not perform any procedures related to Immunizations as none of the County Office of Education's sites appeared on the lists of schools that did not submit immunization assessment reports to the California Department of Public Health or those that reported combined conditional admission and overdue rates greater than 10 percent in kindergarten and in 7th grade.



We did not perform any procedures related to Home to School Transportation Reimbursement as the County Office did not receive any funding in the current year.

We did not perform any procedures related to Charter School Attendance, Mode of Instruction, Nonclassroom-Based Instruction/Independent Study, Determination of Funding for Nonclassroom-Based Instruction, Annual Instructional Minutes - Classroom Based, and Charter School Facility Grant Program because the charter schools that the County Office sponsors report separately.

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.

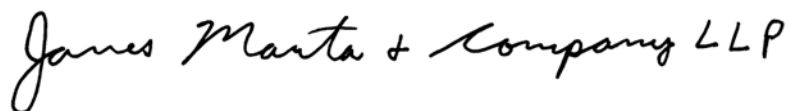
### **Report on Internal Control over Compliance**

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 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 27, 2024



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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**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**

**INDEPENDENT AUDITOR'S REPORT**

County Superintendent of Schools and  
Board of Education  
Sacramento County Office of Education  
Sacramento, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sacramento County Office of Education (the "County Office"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County Office's basic financial statements, and have issued our report thereon dated March 27, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered County Office'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 County Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the County Office'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-1 in Section II – Financial Statement Findings of finding as that we consider to be a material weakness.

## **Compliance and Other Matters**

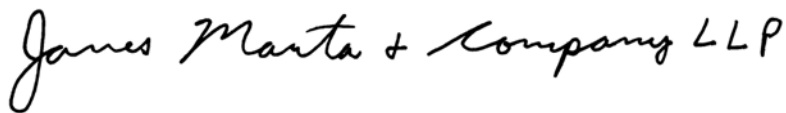
As part of obtaining reasonable assurance about whether the Sacramento County Office of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

### **The Sacramento County Office of Education's response**

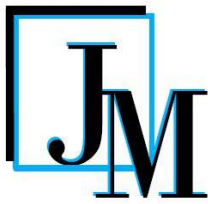
Government Auditing Standards requires the auditor to perform limited procedures on the Sacramento County Office of Education's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Sacramento County Office of Education's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 27, 2024



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

County Superintendent of Schools and  
Board of Education  
Sacramento County Office of Education  
Sacramento, California

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

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

We have audited Sacramento County Office of Education's (the "County Office") compliance with the types of compliance requirements identified as subject to audit in the May 2023 Edition of the *OMB Compliance Supplement* that could have a direct and material effect on each of the County Office's major federal programs for the year ended June 30, 2023. The County Office'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 Office 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 the May 2023 Edition of the 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 Office 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 Office'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 Office'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 Office'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 Office'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 Office'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 Office'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 Office'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.

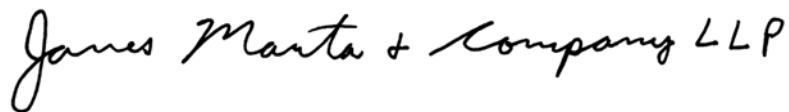
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant 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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Sacramento County Office of Education as of and for the year ended June 30, 2023, and have issued our report thereon dated March 27, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
March 27, 2024

## **FINDINGS AND RECOMMENDATION**

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section I – Summary of Audit Results**

**Financial Statements**

Type of auditor's report issued: Unmodified/Adverse (on Fiduciary funds)

Internal control over financial reporting:

Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported

Noncompliance material to financial statements noted?

       Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> 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, Section 200.516(a)?

       Yes   X   No

Identification of major programs:

<u>Assistance Listing Number(s)</u>
93.575
84.425
84.367

<u>Name of Federal Program or Cluster</u>
Child Development Cluster
Education Stabilization Fund Cluster
Title II Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$811,949

Auditee qualified as low-risk auditee?

  X   Yes        No

**State Awards**

Internal control over state programs:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported

Type of auditor's report issued on compliance for state programs:

Unmodified



**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section II – Financial Statement Findings**

**2003-1 Payroll Clearing Fund**

**30000 Internal Control**

**Criteria:**

The Payroll Clearing fund is used to administer payroll for the districts in the county. The fund should net to zero, where administered funds transferred in equal payroll and related expenses paid out. There could be times where there are amounts due to and due from outside districts.

**Condition:**

As of June 30, 2023, the fund shows a deficit of \$26,731,483 in aggregate.

**Question Costs:**

\$26,731,483

**Context:**

The payroll clearing account should be used as a transactional account. Payroll runs and related liabilities should be posted for the transactional periods. The transactions in and out fund should balance with the payroll clearing fund as well as with the member districts.

**Effect:**

Fiduciary payroll clearing assets and obligations do not balanced.

**Cause:**

It appears that double entry accounting is not used to post payroll clearing transactions with respect to the member districts and the payroll clearing fund where payments on behalf of a district are recorded in the same period as amounts transferred in or due from the districts.

**Recommendations:**

The County Office business service management should work with the payroll staff to:

1. Identify the differences in the payroll clearing fiduciary fund as of June 30, 2023, and to properly balance obligations and amounts that should be transferred in as of this date. The amounts should balance the fund to zero.
2. Develop processes to ensure that double entry accounting is used in entering payroll activity with respect to the districts and the payroll clearing fund. Funds transferred in or due from districts for each transaction should posted and balanced for each period.
3. Develop procedures for posting special transactions as of year-end where guidance is documented and training provided to staff to ensure these transactions are posted in the proper period and balanced to amounts due from districts.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Corrective Action Plan:**

SCOE recognizes the auditor's findings of a (\$26,731,483) net position in the Payroll Clearing fund (Fund 76) and will conduct a thorough reconciliation of the fund to resolve this imbalance. SCOE will review and revise its internal controls to implement processes that ensure the fund's assets and liabilities are correctly stated in alignment with the requirements of GASB 84. Once procedural revisions have been determined, SCOE will monitor the effectiveness of the controls applied to the processes and ensure appropriate staff members receive training.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section IV – State Award Findings and Questioned Costs**

No matters were reported.

**SACRAMENTO COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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No matters were reported.