



Financial Statements
June 30, 2020

Orange County Special Education Alliance

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Independent Auditor's Report

Executive Committee and Review Committee
Orange County Special Education Alliance
Costa Mesa, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Orange County Special Education Alliance (the Alliance), which comprise the statement of net position as of June 30, 2020, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Orange County Special Education Alliance as of June 30, 2020, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not modified with respect to this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2021 on our consideration of the Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alliance's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Alliance's internal control over financial reporting and compliance.

This report is intended solely for the information and use of the executive committee and is not intended to be and should not be used by anyone other than these specified parties.



Rancho Cucamonga, California
March 19, 2021

Orange County Special Education Alliance

Statement of Net Position

June 30, 2020

Assets		
Current assets		
Investments	\$	422,044
Accounts receivable		<u>1,526</u>
	Total assets	<u>\$ 423,570</u>
Net Position		
Unassigned	\$	<u>423,570</u>

Orange County Special Education Alliance
Statement of Revenues, Expenditures, and Changes in Net Position
Year Ended June 30, 2020

Operating Revenues	
Member contributions	<u>\$ 44,732</u>
Expenses	
Materials and supplies	85
Professional consulting services and other operating expenses	86,561
Indirect costs	<u>8,075</u>
Total expenses	<u>94,721</u>
Change in Net Position	(49,989)
Net Position, Beginning of Year	<u>473,559</u>
Net Position, End of Year	<u><u>\$ 423,570</u></u>

Orange County Special Education Alliance

Statements of Cash Flows

Year Ended June 30, 2020

Cash Flows from Operating Activities	
Cash received from membership dues	\$ 43,206
Cash paid for operating expenses	<u>(94,721)</u>
Net cash used by operating activities	<u>(51,515)</u>
Cash and Cash Equivalents, Beginning of Year	<u>473,559</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 422,044</u></u>
Reconciliation of Change in Net Position to Net Cash Used by Operating Activities	
Change in net position	\$ (49,989)
Adjustments to reconcile net position to net cash provided by operating activities:	
Accounts receivable	<u>(1,526)</u>
Net Cash Provided by Operating Activities	<u><u>\$ (51,515)</u></u>

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

The Orange County Special Education Alliance (the Alliance) was formed under a Joint Powers Agreement with Orange County public school districts and the Orange County Superintendent of Schools within the state of California on July 1, 2005 for the purpose of supporting systemic legal change in special education by providing professional staff development training and legislative advocacy, and jointly supporting selected special education cases of countywide significance through judicial and administrative processes.

The Alliance accounts for its financial transactions in accordance with the Policies and Procedures of the State Controller's Office Division of Local Government Fiscal Affairs Minimum Audit Requirements and Reporting Guidelines for California Special Districts. The accounting policies of the Alliance conform to accounting principles generally accepted in the United States of America (U.S. GAAP).

Reporting Entity

The Alliance is governed by an Executive Committee, which is comprised of each of the superintendents of participating school districts. The Executive Committee controls the operations of the Alliance, including approval of operating budgets, independent of any influence by members beyond their representation on the committee. The Executive Committee may delegate any of its functions to the Review Committee, which is comprised of twelve members that include five superintendents, three special education administrators from Special Educational Local Plan Areas (SELPA) or school districts in Orange County, two attorneys in private practice representing school districts in special education matters, one attorney from the Orange County Department of Education (OCDE), and one business official from a school district in Orange County.

Accounting Policies

The accounting policies of the Alliance conform to U.S. GAAP as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied. The Alliance records financial transactions on the accrual basis of accounting wherein expenditures are recorded at the time liabilities are incurred and income is recorded when earned.

Fund Accounting

The Alliance's financial statements include only the proprietary fund type. This fund type includes one enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to its members on a continuing basis be financed or recovered primarily through user charges.

The accounts of the Alliance are maintained in the County School Service Fund of the County Superintendent, also referred to as the Orange County Department of Education (OCDE). The operations of the Alliance are accounted for in a separate cost center in which separate accounts are maintained for recording the Alliance's transactions for assets, liabilities, net position, revenues, and expenses.

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 at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Budgeting

The Alliance's Executive Committee approves and adopts a final budget no later than April 15 of each fiscal year. Formal budgetary integration was employed as a management control device during the year for the funds budgeted.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Alliance considers investments in the County Treasurer to be cash equivalents.

Note 2 - Investments

Policies and Practices

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

Deposits with County Treasurer

Deposits with the County Treasurer is an external investment pool sponsored by the County of Orange. In accordance with its agreement, the Alliance maintains all of its cash in the Orange County Treasury. Therefore, the Alliance is considered to be a voluntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Consortium does not have a form investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Alliance manages its exposure to interest rate risk by primarily investing in the Orange County Treasury Investment Pool. The Alliance maintains an investment of \$422,044 with the Orange County Treasury Investment Pool with an average maturity of 266 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Orange County Treasury Investment Pool has been rated Aaa by Moody's Investor Service.

Note 3 - Membership

Membership fees, including administrative dues are collected from every member of Alliance. Fees are collected based on the ADA of the member district.

Orange County Special Education Alliance

Committee Members and Administration

June 30, 2020

Executive Committee

<u>Representative</u>	<u>Member Agency</u>
Christopher Downing	Anaheim Elementary School District
Michael Matsuda	Anaheim Union High School District
Brad Mason	Brea-Olinda Unified School District
Ramon Miramontes	Buena Park School District
Kirsten Vital	Capistrano Unified School District
Norma Martinez	Centralia School District
Anne Silavs	Cypress School District
Mark Johnson	Fountain Valley School District
Scott Scambray	Fullerton Joint Union High School District
Robert Pletka	Fullerton School District
Gabriela Mafi	Garden Grove Unified School District
Gregory Haulk	Huntington Beach City School District
Clint Harwick	Huntington Beach Union High School District
Terry Walker	Irvine Unified School District
Joanne Culverhouse	La Habra City School District
Jason Vilorio	Laguna Beach Unified School District
Andrew Pulver	Los Alamitos Unified School District
Jim Coombs	Lowell Joint Unified School District
Frank Donavan	Magnolia School District
Frederick Navarro	Newport-Mesa Unified School District
Carol Hansen	Ocean View School District
Gunn Marie Hansen	Orange Unified School District
Gregory Plutko	Placentia-Yorba Linda Unified School District
Crystal Turner	Saddleback Valley Unified School District
Jerry Almendarez	Santa Ana Unified School District
Sue Johnson	Savanna School District
Gregory Franklin	Tustin Unified School District
Cyndi Paik	Westminster School District
Al Mijares	Orange County Department of Education

Orange County Special Education Alliance

Committee Members and Administration

June 30, 2020

Review Committee

<u>Representative</u>	<u>Member Agency</u>
Frank Donavan, Chair	Superintendent, Magnolia School District
Gregory Haulk, Vice Chair	Superintendent, Huntington Beach City School District
Brad Mason	Superintendent, Brea-Olinda Unified School District
Terry Walker	Superintendent, Irvine Unified School District
Gabriela Mafi	Superintendent, Garden Grove Unified School District
Jean Martin	Director, North Orange County SELPA
Amy Lambert	Director, Tustin Unified School District SELPA
Paul Lavigne	Director, Greater Anaheim SELPA
David Giordano	Assistant Superintendent, Business Services, Placentia-Yorba Linda Unified School District
Jennifer Fant	Attorney, Harbottle Law Group
Justin Shinnfield	Attorney, Atkinson Andelson, Loya, Ruud, & Romo
Lysa Saltzman	Counsel, Orange County Department of Education

Treasurer/Auditor

Renee Hendrick	Associate Superintendent, Administrative Services, Orange County Department of Education
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Administration

Administrative Support provided by OCDE Legal Services



Independent Auditor's Reports
June 30, 2020

Orange County Special Education Alliance



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

Executive Committee and Review Committee
Orange County Special Education Alliance
Costa Mesa, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Orange County Special Education Alliance (the Alliance) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Alliance's basic financial statements, and have issued our report thereon dated March 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alliance's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance'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 Alliance's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Rancho Cucamonga, California
March 19, 2021