

# High School Graduation and College and Career Readiness Fund

Biennial Financial Report

For Biennium Ended June 30, 2023



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**Kip Memmott**  
Division Director

## Independent Auditor's Report

The Honorable Tina Kotek  
Governor of Oregon

Oregon State Board of Education

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the High School Graduation and College and Career Readiness Fund, a special revenue fund of the State of Oregon, Department of Education, as of and for the biennium year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the High School Graduation and College and Career Readiness Fund, a special revenue fund of the State of Oregon, Department of Education, as of June 30, 2023, and the changes in its financial position for the biennium then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the High School Graduation and College and Career Readiness Fund and do not purport to, and do not, present fairly the financial position of the State of Oregon or the Department of Education, as of June 30, 2023, or the changes in its financial position for the biennium then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management 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, and for the design,

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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 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 opinion. 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 the disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Department of Education's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2024, on our consideration of the Oregon Department of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Oregon Department of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oregon Department of Education's internal control over financial reporting and compliance.

*Office of the Secretary of State, Audits Division*

**State of Oregon**

June 5, 2024

Oregon Department of Education  
High School Graduation and College and Career Readiness Fund  
Balance Sheet  
June 30, 2023

**ASSETS**

Cash and Cash Equivalents	56,917,095
Due from Other Funds	<u>16,180,685</u>

**TOTAL ASSETS** \$73,097,780

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Accounts and Interest Payable	<u>40,919,403</u>
Total Liabilities	<u>40,919,403</u>

**Fund Balance:**

Restricted by:	
Enabling Legislation	<u>32,178,377</u>
Total Fund Balances	<u>32,178,377</u>

**TOTAL LIABILITIES AND FUND BALANCE** \$73,097,780

*The notes to the financial statements are an integral part of this statement.*

Oregon Department of Education  
 High School Graduation and College and Career Readiness Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Biennium Ended June 30, 2023

**REVENUES**

Other	95,111
<b>Total Revenues</b>	<u>\$ 95,111</u>

**EXPENDITURES**

Current:	
Salaries and Wages	2,784,218
Services and Supplies	228,206
Distribution to Local School Districts	309,705,817
Distribution to Non-Governments	13,224,502
<b>Total Expenditures</b>	<u>\$ 325,942,744</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(325,847,632)

**OTHER FINANCING SOURCES (USES)**

Transfers from General Fund	174,618,343
Transfers from Other Funds	136,682,685
<b>Total Other Financing Sources (Uses)</b>	<u>311,301,028</u>
Net Change in Fund Balances	<u>(14,546,604)</u>

Fund Balances - Beginning	46,724,981
<b>Fund Balances - Ending</b>	<u>\$ 32,178,377</u>

*The notes to the financial statements are an integral part of this statement.*

## Notes to the Basic Financial Statements – Governmental Funds

June 30, 2023

### Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the Oregon Department of Education’s High School Graduation and College and Career Readiness Fund (Fund) have been prepared in conformity with generally accepted accounting principles for governments as prescribed by Governmental Accounting Standards Board (GASB).

#### A. Reporting Entity

The High School Graduation and College and Career Readiness Fund was initiated by ballot Measure 98 entitled High School Success in November 2016 with the measure passing with 65% voter support. The Fund was established pursuant to House Bill 2246 (2017). The purpose of the Fund is to improve the graduation rates and college and career readiness of all high school students in Oregon.

The High School Graduation and College and Career Readiness Fund program is administered by the Oregon Department of Education (ODE). The Fund consists of several activities to establish or expand programs in three specific areas: Dropout Prevention, Career and Technical Education and College Level Education Opportunities. The intent is to improve student progress toward graduation beginning with grade 9, increase the graduation rates of high schools and improve high school graduates’ readiness for college and career.

#### B. Basis of Presentation

ODE programs and accounts are organized by funds, each of which is a separate accounting entity. The funds utilize a separate set of self-balancing accounts to record the assets, liabilities, fund balance, revenues and expenses of their program activities. ODE’s High School Graduation and College and Career Readiness Fund program is classified as a governmental fund.

Governmental funds focus on how cash and other financial resources that can be readily converted to cash flow in and out and the balances remaining at year-end that are available to spend. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance ODE’s programs.

**C. Measurement Focus and Basis of Accounting**

The basic financial statements for the Fund are presented as a governmental fund. As such, the Fund is accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current year or soon enough thereafter to pay liabilities existing at the end of the year. For this purpose, ODE considers revenues as available, if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recognized when a liability is incurred, as under accrual accounting.

**D. Budgetary Process**

The Oregon Legislature approves ODE’s budget on a biennial basis. The High School Graduation and College and Career Readiness Fund program expenditures are monitored against approved budgets, quarterly allotments and cash balances. Limitations lapse at the end of the biennium. The Emergency Board of the Legislature approves any necessary increases in budgets when the Legislature is not in session. The Fund has continuous spending authority under ORS 327.856.

**E. Cash and Cash Equivalents**

All monies of the Fund are deposited with the State Treasury, which is responsible for maintaining these deposits in accordance with Oregon law. The Fund considers all such deposits to be cash and cash equivalents. The Fund has no other cash deposits or investments.

**F. Fund Equity**

The difference between assets and liabilities is labeled “Fund Balance” on the governmental fund financial statements. Fund balance is reported as Restricted which are the result of constraints imposed by law through constitutional provisions or enabling legislation or by parties outside the State, such as creditors, grantors, contributors or laws or regulations of other governments. Enabling legislation authorizes the State to levy, assess, charge, or otherwise mandate payment from external resource providers and includes a legally enforceable requirement that those resources be used only for specific purposes stipulated by the legislation.

**Note 2 – Cash and Cash Equivalents**

On June 30, 2023, the book balance of cash and cash equivalents was \$56,917,095 and the bank balance was \$61,454,655. All cash in the Fund is deposited in demand accounts with the State Treasurer in the Oregon Short-Term Fund (OSTF), a cash and investment pool for use by all state agencies.

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the State Treasurer will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. ODE does not have a policy regarding custodial



credit risk for deposits; however, the insurance and collateral requirements for deposits in the OSTF are established by banking regulations and Oregon law.

A separate financial report for the OSTF is prepared by the Treasurer. Copies of the report may be obtained by writing to the Oregon State Treasury, 867 Hawthorne Avenue SE, Salem, Oregon 97301, or from the [Treasury's website](#).

**Note 3 – Commitments**

As of June 30, 2023, the Fund has active grant agreements in the amount of \$369,609,484 obligated during the 2021-23 biennium and has disbursed a total of \$326,375,055 to districts and charter schools that serve students in grade 9 through grade 12. The amount of undisbursed grant commitments is \$43,234,428.

**Note 4 – Interfund Transactions**

Transfers are used to move (1) revenues collected by one fund to the fund authorized by statute or the State's budget to expend them, and (2) unrestricted revenues collected by the General Fund for various programs accounted for in other funds according to State budget requirements.

In the 2021 legislative sessions, Senate Bill 5513 was passed, appropriating \$174,618,343 from the General Fund to the Fund during the 2021-23 biennium.

In the 2021 legislative session, Senate Bill 5513 was passed requiring \$136,682,685 to be transferred from the Fund for Student Success to the Fund during the 2021-23 biennium.



**Kip Memmott**  
Division Director

## **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**

The Honorable Tina Kotek  
Governor of Oregon

Oregon State Board of Education

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 High School Graduation and College and Career Readiness Fund, a special revenue fund of the State of Oregon, Department of Education, as of and for the biennium ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the High School Graduation and College and Career Readiness Fund's basic financial statements, and have issued our report thereon dated June 5, 2024.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Oregon Department of Education's (department) internal control over financial reporting (internal control) related to the High School Graduation and College and Career Readiness Fund as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

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

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

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## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements of the High School Graduation and College and Career Readiness Fund 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 department'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 department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Secretary of State, Audits Division*

**State of Oregon**

June 5, 2024