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CERTIFIED
PUBLIC
ACCOUNTANTS

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January 29, 2016

To The Board of Education
El Dorado County Office of Education
6767 Green Valley Road
Placerville, CA 95667

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of El Dorado County Office of Education for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated February 16, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County Office are described in Note 1 to the financial statements. As described in Note 8, the County Office implemented Governmental Accounting Standards Board Statement 68 which requires the County Office reports its share of the unfunded STRS and PERS net pension liability. We noted no transactions entered into by the County Office during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the El Dorado County Office of Education's financial statements were:

- Net pension liability for the unfunded portion of its pension plans based on actuarial projections.
- Other postemployment benefits expense and liability accrual based on actuarial projections.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the County Office's 2014-2015 financial statements is Note 8 - Employee Retirement Systems. This note describes the liability reported on the Statement of Net Position for the County Office's share of unfunded STRS and PERS pension liabilities.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management:

Adjustments were made in the Enterprise Fund to record activity related to the recognition of the unfunded net pension liability. The net result of the adjustment was an increase to net position of \$37,277.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the attached management representation letter dated January 29, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County Office's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County Office's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on other supplementary information which accompany the financial statements but are not required supplementary information.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We applied certain limited procedures to management's discussion and analysis, budgetary comparisons and the accounting and disclosures by employer for postemployment benefits and pensions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Board of Education and management of El Dorado County Office of Education and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP



Michelle Hanson
Certified Public Accountant

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El Dorado County Office of Education
Schedule of Unrecorded Adjustments
As of and for the Year Ended June 30, 2015

The following items represent potential adjustments that were not recorded as adjustments to the financial statements because they are considered immaterial both individually and in the aggregate.

None

We did not adjust the amount reported for Cash in County Treasury at June 30, 2015 to the current fair value amount. Had we recorded the adjustment, the County Office's total amount reported as Cash in County Treasury would increase \$19,845.

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MICHELLE M. HANSON, CPA

January 29, 2016

Robbie Montalbano
Associate Superintendent
El Dorado County Office of Education
6767 Green Valley Road
Placerville, CA 95667

Dear Robbie:

Enclosed are eight (8) bound copies of the annual audit report of El Dorado County Office of Education for the fiscal year ended June 30, 2015. We have also emailed an electronic copy to: rmontalbano@edcoe.org, dlacombe@edcoe.org, khanson@edcoe.org and crunyan@edcoe.org.

Also enclosed is a letter to the Board summarizing the results of the audit. Please present this letter to the Board.

Copies of the report have been filed with the following agencies:

- State Controller's Office
- State Department of Education
- Federal Audit Clearinghouse

If you have any questions regarding these reports, please do not hesitate to contact us.

Very truly yours,

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP



Michelle Hanson
Certified Public Accountants

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Enclosures

EL DORADO COUNTY OFFICE OF EDUCATION
COUNTY OF EL DORADO
PLACERVILLE, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

EL DORADO COUNTY OFFICE OF EDUCATION

JUNE 30, 2015

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EL DORADO COUNTY OFFICE OF EDUCATION

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Education
El Dorado County Office of Education
Placerville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of El Dorado County Office of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the El Dorado County Office of Education's basic financial statements as listed in the table of contents.

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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the El Dorado County Office of Education, as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 8 to the financial statements, the County Office adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The County Office is recognizing its share of the unfunded liability for the California State Teachers' Retirement Plan (STRS) and the California Public Employees' Retirement System Schools Pool Cost-Sharing Multiple Employer Plan (PERS) for the first time based on the most recent actuarial valuations dated June 30, 2013. The County Office reported a net pension liability of \$29.5 million at June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and budgetary comparison information and accounting by employer for postemployment benefits and pensions on pages 58 through 62 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Dorado County Office of Education's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards 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 January 29, 2016, on our consideration of the El Dorado County Office of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 El Dorado County Office of Education's internal control over financial reporting and compliance.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

January 29, 2016

EL DORADO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The discussion and analysis of the El Dorado County Office of Education's financial performance provides an overall review of the County Office's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the County Office's financial performance as a whole. To provide a complete understanding of the County Office's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements, and the County Office's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

Revenue Changes:

- Total revenue from Governmental Activities increased in 2014-2015 by \$17.3 million or 15.6% (see Table 2, page 9 of this document).
- Of the total change in revenues above, unrestricted revenue increased by \$4.8 million, while program revenue increased by \$13.3 million. The increase resulted primarily from increased funding in Charter SELPA Federal, State and Mental Health sources in the amount of \$12.5 million. These increases were offset by reductions of \$821 thousand in the School Facilities Fund.
- Revenue from Business Type Activities increased by \$33 thousand due to an increase in utilization of Extended Day services.

Expenditure Changes:

- Total expenditures from Governmental Activities increased \$15.7 million over 2013-2014 levels.
- Direct Instructional activities increased by \$1.7 million primarily due to salary increases. Those salary increases were offset by a reduction in sub-agreements for services.
- Instructional Support Services increased by \$1.2 million. The majority of this increase can be attributed to an increase in salary expenses, contract services and trainings.
- Pupil Support Services increased by \$1.1 million due to an increase in salary expenses. Some offsetting reductions were seen in services and operating expenses.
- General Administration increased by approximately \$804 thousand due to increased salary expenses and operating expenses.
- Other outgo increased by \$10.1 million for growth in pass thru payments to Charter SELPA.

Reserves:

- County School Service Fund revenues and other sources exceeded expenditures and other uses by \$447 thousand and ending the year with available reserves totaling \$1.3 million.

FINANCIAL HIGHLIGHTS (CONCLUDED)

Fixed Assets:

- In complying with GASB 34, fixed assets were valued at historical cost. The total of the County Office's fixed assets, land, buildings, and equipment, valued on an acquisition cost basis was \$21.6 million. After depreciation, the June 30, 2015 book value for fixed assets totaled \$11.7 million.

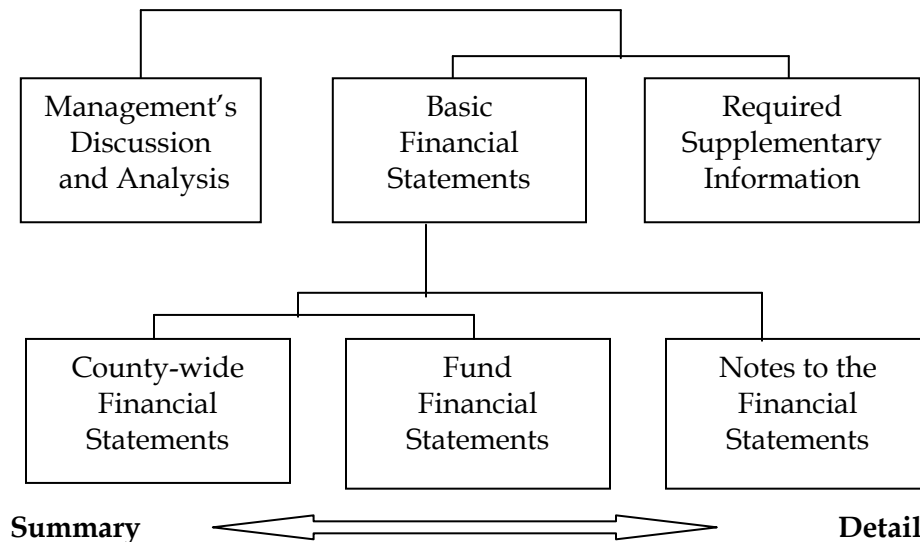
GASB 68:

- In complying with GASB 68, the County Office is recognizing its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. These liabilities are based on the most recent actuarial valuations. Implementation of GASB 68 requires the County Office to restate the June 30, 2014 net position by recognizing the pension liabilities. Recognizing the liabilities decreased the June 30, 2014 total net position on the Statement of Net Position by \$35.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the El Dorado County Office of Education as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *entity-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole County Office, presenting both an aggregate view of the County Office's finances and a longer-term view of those finances.

EL DORADO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County Office's more significant funds with all other non-major funds presented in total in one column. Comparisons of the budgets for the County School Service Fund and Special Education Pass-Through Fund are included.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the County Office as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the County Office as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County Office's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the County Office as a whole and its activities in a way that helps answer the question, "How did we do financially during 2014-2015?"

These two statements report the County Office's net position and changes in that position. This change in net position is important because it tells the reader that, for the County Office as a whole, the financial position of the County Office has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the County Office's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the County Office's operating results. However, the County Office's goal is to provide services to our students, districts and community, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the County Office.

- ◆ Increases or decreases in the net position of the County Office over time are indications of whether its financial position is improving or deteriorating, respectively.
- ◆ Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the County Office need to be considered in assessing the overall health of the County Office.

EL DORADO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the County Office's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the County Office's most significant funds – not the County Office as a whole. Funds are accounting devices the County Office uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the County Office establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the County Office's activities are reported in governmental funds. The major governmental funds of the County Office are the County School Service Fund and the Special Education Pass-Through Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County Office's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office's programs.

◆ **Proprietary Funds**

The County Office accounts for operations for its fee based before and after school program in the Enterprise Fund. The County Office intends to manage this program in a manner similar to private business enterprises, where the objective is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through charges to users.

◆ **Fiduciary Funds**

The County Office is the trustee, or fiduciary, for student body and foundation scholarship accounts and the remaining balance of the scholarship funds set aside for the operation of the annual Sugarloaf Music, Art, and Drama Camp. The County Office acts as an agent for cash belonging to others that is accounted for in the Payroll and Accounts Payable Clearing Agency Funds. All of the County Office fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the County Office's other financial statements because the County Office cannot use these assets to finance its operations. The County Office is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

EL DORADO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The County Office as a Whole

The County Office's net position was \$2.6 million at June 30, 2015. Of this amount a deficit \$20.6 million was unrestricted. Net investment in capital assets account for \$11.7 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

**(Table 1)
Comparative Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Cash	\$ 22,990,860	\$ 18,368,548	\$ 750,463	\$ 689,177	\$ 23,741,323	\$ 19,057,725
Receivables	12,345,604	27,935,768	159,996	263,647	12,505,600	28,199,415
Stores Inventory	42,246	42,611			42,246	42,611
Prepaid expenditures	289,323	232,972			289,323	232,972
Capital assets	11,682,292	11,796,207			11,682,292	11,796,207
Due from (to) other funds	211,910	196,569	(211,910)	(196,569)		
Other postemployment benefits	128,089	127,320			128,089	127,320
Total Assets	<u>47,690,324</u>	<u>58,699,995</u>	<u>698,549</u>	<u>756,255</u>	<u>48,388,873</u>	<u>59,456,250</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension expense	<u>2,661,383</u>	<u>0</u>	<u>129,634</u>	<u>0</u>	<u>2,791,017</u>	<u>0</u>
LIABILITIES						
Deficit cash	85,409	44,501			85,409	44,501
Accounts payable and other current liabilities	8,862,363	22,617,865	126,342	171,056	8,988,705	22,788,921
Unearned revenue	1,121,085	712,821	35,442	48,728	1,156,527	761,549
Net pension liability	28,579,019		963,518		29,542,537	
Long-term liabilities	279,269	245,317			279,269	245,317
Total Liabilities	<u>38,927,145</u>	<u>23,620,504</u>	<u>1,125,302</u>	<u>219,784</u>	<u>40,052,447</u>	<u>23,840,288</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred earnings on pension plan investments	<u>8,230,963</u>	<u>0</u>	<u>327,093</u>	<u>0</u>	<u>8,558,056</u>	<u>0</u>
NET POSITION						
Net investment in capital assets	11,682,292	11,796,207			11,682,292	11,796,207
Restricted	11,439,022	9,249,648			11,439,022	9,249,648
Unrestricted (Deficit)	<u>(19,927,715)</u>	<u>14,033,636</u>	<u>(624,212)</u>	<u>536,471</u>	<u>(20,551,927)</u>	<u>14,570,107</u>
Total Net Position (Deficit)	<u>\$ 3,193,599</u>	<u>\$ 35,079,491</u>	<u>\$ (624,212)</u>	<u>\$ 536,471</u>	<u>\$ 2,569,387</u>	<u>\$ 35,615,962</u>

The implementation of GASB 68 in the fiscal year ended June 30, 2015, resulted in a deficit Unrestricted net position.

EL DORADO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The County Office's net position increased \$2.2 million this fiscal year (See Table 2.) The County Office's expenses for instruction related services and pupil support services represented 29 percent of total governmental expenses. The general administrative activities supporting both School District and County Office operations accounted for 6 percent of total costs. Expenses of pass-through payments for Federal and State revenues to school districts were 63 percent. The remaining 2 percent was spent in the areas of plant services and other expenses, community and enterprise activities (See Figure 2.)

(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues	\$ 105,797,102	\$ 90,967,929	\$ 2,332,011	\$ 2,281,249	\$ 108,129,113	\$ 93,249,178
General revenues						
Taxes levied for general purposes	6,025,958	5,691,067			6,025,958	5,691,067
Taxes levied for specific purposes	20,801	20,531			20,801	20,531
Federal and State Aid not restricted to specific purposes	11,687,201	10,317,889			11,687,201	10,317,889
Interest and investment earnings	49,010	47,069	1,140	1,316	50,150	48,385
Interagency revenues	1,269,033	1,138,245			1,269,033	1,138,245
Transfers	212,078	194,991	(212,078)	(194,991)	0	0
Miscellaneous	3,543,885	2,885,911			3,543,885	2,885,911
Total revenues	<u>128,605,068</u>	<u>111,263,632</u>	<u>2,121,073</u>	<u>2,087,574</u>	<u>130,726,141</u>	<u>113,351,206</u>
EXPENSES						
Instruction	20,865,114	18,815,084			20,865,114	18,815,084
Instruction related services	7,932,050	6,563,634			7,932,050	6,563,634
Pupil support services	7,394,939	6,489,996			7,394,939	6,489,996
General administration	7,552,071	6,748,068			7,552,071	6,748,068
Plant services	2,538,207	2,207,829			2,538,207	2,207,829
Ancillary services	249,451	238,122			249,451	238,122
Community services	722,806	623,708			722,806	623,708
Enterprise activities	5,832	7,074	2,083,502	1,942,476	2,089,334	1,949,550
Other	79,102,977	68,972,056			79,102,977	68,972,056
Total expenses	<u>126,363,447</u>	<u>110,665,571</u>	<u>2,083,502</u>	<u>1,942,476</u>	<u>128,446,949</u>	<u>112,608,047</u>
Increase in net position	<u>\$ 2,241,621</u>	<u>\$ 598,061</u>	<u>\$ 37,571</u>	<u>\$ 145,098</u>	<u>\$ 2,279,192</u>	<u>\$ 743,159</u>

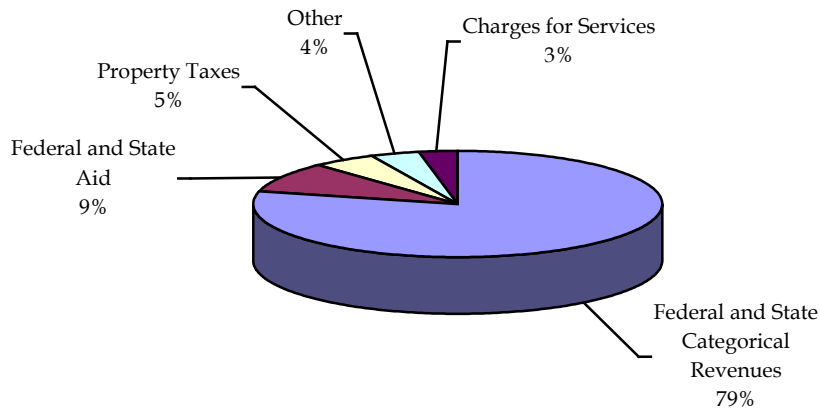
EL DORADO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

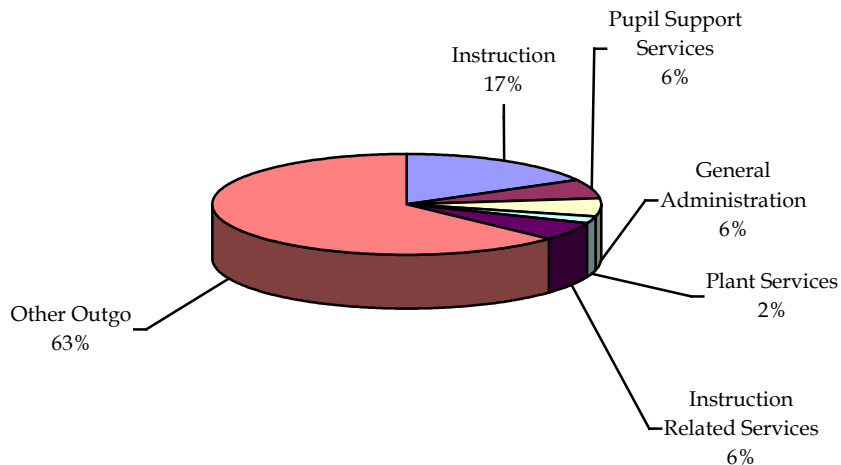
Governmental Activities

As reported in the Statement of Activities, the cost of all of the County Office governmental activities this year was \$126.4 million. The amount that our local taxpayers financed for these activities through property taxes was \$6 million. Federal and State aid not restricted to specific purposes totaled \$11.7 million. State and Federal Categorical revenue totaled over \$101.5 million, and covered 79 percent of the expenses of the entire County Office (See Figure 1).

Sources of Revenue for the 2014-2015 Fiscal Year
Figure 1



Expenses for the Fiscal Year 2014-2015
Figure 2



EL DORADO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the County Office's operations in more detail than the government-wide statements. The County Office's individual fund statements provide information on inflows and outflows and balances of spendable resources. The County Office's governmental funds reported a combined fund balance of \$25.8 million, an increase of \$2.4 million from the previous fiscal year's combined ending balance of \$23.4 million. This increase is primarily reflected in the County School Service Fund (\$447 thousand) and the Special Education Pass-Through Fund (\$1.8 million.)

County School Service Fund Budgetary Highlights

Over the course of the year, the County Office revised the annual operating budget quarterly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the County School Service Fund reflected a net decrease to the ending balance of \$1.9 million.

The County Office ended the year with \$15.3 million in the County School Service Fund ending balance, of which \$1.3 million is categorized by the County Office as a reserve for economic uncertainties. The remaining balance is made up of restricted, committed and assigned fund balances. The State recommends an ending reserve for economic uncertainties of 3 percent. The County Office's ending available reserve was 3 percent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2014-2015 fiscal year, the County Office had invested \$21.8 million in capital assets, including school buildings, administrative buildings, site improvements, vehicles and equipment. This amount represents an increase of \$436 thousand in equipment, including New Vehicles for the HeadStart, Data Center upgrades, District back up services, Print Shop Equipment, and computers for Adult Education and the HeadStart Program. These increases were offset by disposals of assets and depreciation expense totaling \$641 thousand for a net decrease of \$114 thousand.

EL DORADO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2015 and 2014

	2015	2014	Difference Increase (Decrease)
Land	\$ 748,482	\$ 748,482	
Site Improvements	113,547	127,555	\$ (14,008)
Buildings	9,800,881	10,157,583	(356,702)
Machinery and Equipment	951,436	699,032	252,404
Work in Process	67,946	63,555	4,391
Totals	\$ 11,682,292	\$ 11,796,207	\$ (113,915)

Long-Term Debt

At June 30, 2015, the County Office had \$279 thousand in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2015 and 2014

	2015	2014
Compensated Absences	\$ 279,269	\$ 245,317
Totals	\$ 279,269	\$ 245,317

Amounts due to employees for vacation earned, but not yet used, represents the amount shown above in "compensated absences."

EL DORADO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FACTORS BEARING ON THE COUNTY OFFICE'S FUTURE

The El Dorado County Office of Education will continue to address deficit spending and maintain adequate reserves for contingencies and fixed expenditure obligations.

Local Control Funding Formula

The 2015-2016 budget signifies the third year of the LCFF funding model. Calculating entitlements are becoming more routine; however the fiscal operating environment for the County Office of Education remains somewhat uncertain. Numerous variables factor in to the future fiscal health of the County Office. The precise level of gap funding provided in any year is subject to economic conditions, as well as political decisions and the Legislature. While some County Office programs reached their target rate funding level in two years, grade-level funded County Office Charter Schools remain on the 8 year gap funding implementation schedule. In addition to slower progress towards target for some of our student population, the dependence of LCFF entitlements on shifting unduplicated eligible pupil counts and ADA adds a level of complexity to revenue forecasting that was not present in the previous Revenue Limit funding model. The large GAP funding figures seen in 2014-2015 mean smaller increases in revenues in out years which needs to be accounted for in budget planning.

Expenditure Factors

Several new and increasing costs bearing on the financial future of the county office are expected and will be prepared for in coming years. Increasing employer contributions for retirement benefits, impacts of the Affordable Care Act, rising costs associated with health insurance, AB1522 sick leave accrual for part time employees, possible pressure to prefund other post-employment benefits (OPEB) programs, future facility needs and increasing salary costs all need to be considered in balancing future budgets.

CONTACTING THE COUNTY OFFICE FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the County Office's finances and to show the County Office accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Robbie Montalbano, Associate Superintendent, El Dorado County Office of Education, (530) 622-7130, 6767 Green Valley Road, Placerville, CA 95667.

EL DORADO COUNTY OFFICE OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash (Note 2)	\$ 22,990,860	\$ 750,463	\$ 23,741,323
Accounts Receivable (Note 3)	12,345,604	159,996	12,505,600
Due From (To) Other Funds (Note 4)	211,910	(211,910)	
Stores Inventory (Note 1H)	42,246		42,246
Prepaid Expenses (Note 1H)	289,323		289,323
Other Postemployment Benefits (Note 5)	128,089		128,089
Capital Assets, Net of Depreciation (Note 6)	11,682,292		11,682,292
Total Assets	<u>47,690,324</u>	<u>698,549</u>	<u>48,388,873</u>
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)			
Deferred Pension Expense	<u>2,661,383</u>	<u>129,634</u>	<u>2,791,017</u>
LIABILITIES			
Deficit Cash (Note 2)	85,409		85,409
Accounts Payable and Other Current Liabilities	8,862,363	126,342	8,988,705
Unearned Revenue (Note 1H)	1,121,085	35,442	1,156,527
Net Pension Liability (Note 8)	28,579,019	963,518	29,542,537
Long-term Liabilities (Note 7)			
Due Within One Year	<u>279,269</u>		<u>279,269</u>
Total Liabilities	<u>38,927,145</u>	<u>1,125,302</u>	<u>40,052,447</u>
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)			
Deferred Earnings on Pension Plan Investments	<u>8,230,963</u>	<u>327,093</u>	<u>8,558,056</u>
NET POSITION			
Net Investment in Capital Assets	11,682,292		11,682,292
Restricted For:			
Capital Projects	1,488,968		1,488,968
Education Programs	9,950,054		9,950,054
Unrestricted (Deficit)	<u>(19,927,715)</u>	<u>(624,212)</u>	<u>(20,551,927)</u>
Total Net Position (Deficit)	<u>\$ 3,193,599</u>	<u>\$ (624,212)</u>	<u>\$ 2,569,387</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Governmental Activities</u>							
Instruction	\$ 20,865,114	\$ 534,877	\$ 13,702,996	\$ 3,997	\$ (6,623,244)		\$ (6,623,244)
Instruction-Related Services:							
Supervision of Instruction	5,198,525	180,836	3,573,408		(1,444,281)		(1,444,281)
School Site Administration	2,733,525	41,772	978,636		(1,713,117)		(1,713,117)
Pupil Services:							
Home-To-School Transportation	2,644,092	74	30,001		(2,614,017)		(2,614,017)
Food Services	325,266		306,371		(18,895)		(18,895)
All Other Pupil Services	4,425,581	175,045	3,815,202		(435,334)		(435,334)
General Administration:							
Data Processing	1,537,125		3,930		(1,533,195)		(1,533,195)
All Other General Administration	6,014,946	87,520	1,970,791		(3,956,635)		(3,956,635)
Plant Services	2,538,207	50,312	962,397		(1,525,498)		(1,525,498)
Ancillary Services	249,451				(249,451)		(249,451)
Community Services	722,806	129,786	571,736		(21,284)		(21,284)
Enterprise Activities	5,832		3,492		(2,340)		(2,340)
Other Outgo	79,102,977	3,081,332	75,592,591		(429,054)		(429,054)
Total Governmental Activities	126,363,447	4,281,554	101,511,551	3,997	(20,566,345)		(20,566,345)
<u>Business-Type Activities</u>							
Enterprise Activities	2,083,502	2,332,011				\$ 248,509	248,509
Total Activities	\$ 128,446,949	\$ 6,613,565	\$ 101,511,551	\$ 3,997	(20,566,345)	248,509	(20,317,836)
General Revenues:							
Property Taxes Levied For:							
General Purposes					6,025,958		6,025,958
Other Specific Purposes					20,801		20,801
Federal and State Aid Not Restricted to Specific Purposes					11,687,201		11,687,201
Interest and Investment Earnings					49,010	1,140	50,150
Interagency Revenues					1,269,033		1,269,033
Miscellaneous					3,543,885		3,543,885
Internal Transfers					212,078	(212,078)	0
Total General Revenues					22,807,966	(210,938)	22,597,028
Change in Net Position					2,241,621	37,571	2,279,192
Net Position Beginning (Deficit) Restated - Note 12					951,978	(661,783)	290,195
Net Position (Deficit) Ending					\$ 3,193,599	\$ (624,212)	\$ 2,569,387

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	County School Service Fund	Special Education Pass- Through Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash (Note 2)	\$ 14,101,866	\$ 5,417,730	\$ 3,471,264	\$ 22,990,860
Accounts Receivable (Note 3)	3,911,343	8,096,424	337,837	12,345,604
Due From Other Funds (Note 4)	877,405	1,945,572	172,065	2,995,042
Stores Inventory (Note 1H)	42,246			42,246
Prepaid Expenditures (Note 1H)	289,323			289,323
Total Assets	<u>\$ 19,222,183</u>	<u>\$ 15,459,726</u>	<u>\$ 3,981,166</u>	<u>\$ 38,663,075</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deficit Cash (Note 2)			\$ 85,409	\$ 85,409
Accounts Payable	\$ 961,893	\$ 7,878,495	21,975	8,862,363
Unearned Revenue (Note 1H)	816,207	60,448	244,430	1,121,085
Due to Other Funds (Note 4)	2,118,014	458,571	206,547	2,783,132
Total Liabilities	<u>3,896,114</u>	<u>8,397,514</u>	<u>558,361</u>	<u>12,851,989</u>
Fund Balances (Note 1H):				
Nonspendable	334,219			334,219
Restricted	2,864,001	7,062,212	1,512,809	11,439,022
Committed			1,909,996	1,909,996
Assigned	10,816,299			10,816,299
Unassigned	1,311,550			1,311,550
Total Fund Balances	<u>15,326,069</u>	<u>7,062,212</u>	<u>3,422,805</u>	<u>25,811,086</u>
Total Liabilities and Fund Balances	<u>\$ 19,222,183</u>	<u>\$ 15,459,726</u>	<u>\$ 3,981,166</u>	<u>\$ 38,663,075</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance - governmental funds	\$	25,811,086
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Amounts reported for governmental activities in the statement of net position are different 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:	\$	21,784,474	
Accumulated depreciation:		(10,102,182)	
Net:			11,682,292

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized as expenditures in the period they are incurred. In the government-wide statements, contributions paid in excess of the actuarially determined annual required contribution are deferred.

128,089

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	\$	28,579,019	
Compensated absences		279,269	
Total			(28,858,288)

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	\$	2,661,383	
Deferred inflows of resources relating to pensions		(8,230,963)	
Net			(5,569,580)

Total net position - governmental activities	\$	3,193,599
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	County School Service Fund	Special Education Pass-Through Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula Sources				
State Apportionments	\$ 9,236,276		\$ 156,436	\$ 9,392,712
Local Sources	7,233,113			7,233,113
Total Local Control Funding Formula Sources	16,469,389		156,436	16,625,825
Federal Revenue	7,990,111	\$ 14,351,366	1,306,197	23,647,674
Other State Revenue	8,895,385	65,938,096	1,636,992	76,470,473
Other Local Revenue	10,378,730	21,388	643,376	11,043,494
Total Revenues	43,733,615	80,310,850	3,743,001	127,787,466
EXPENDITURES				
Certificated Salaries	14,093,603		676,182	14,769,785
Classified Salaries	12,235,306		812,118	13,047,424
Employee Benefits	8,146,905		543,744	8,690,649
Books and Supplies	1,895,922		228,227	2,124,149
Services and Other Operating Expenditures	6,794,099		579,452	7,373,551
Capital Outlay	476,600		4,391	480,991
Debt Service: Interest and Fiscal Charges			214	214
Other Outgo	(217,568)	78,470,159	850,385	79,102,976
Total Expenditures	43,424,867	78,470,159	3,694,713	125,589,739
Excess of Revenues Over (Under) Expenditures	308,748	1,840,691	48,288	2,197,727
Other Financing Sources (Uses): Operating Transfers In (Note 4)	447,681		279,599	727,280
Operating Transfers Out (Note 4)	(353,388)		(161,814)	(515,202)
Total Other Financing Sources (Uses)	94,293	0	117,785	212,078
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	403,041	1,840,691	166,073	2,409,805
Fund Balances - July 1, 2014	14,923,028	5,221,521	3,256,732	23,401,281
Fund Balances - June 30, 2015	\$ 15,326,069	\$ 7,062,212	\$ 3,422,805	\$ 25,811,086

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ 2,409,805

Amounts reported for governmental activities in the statement of activities are different 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 was:

Expenditures for capital outlay:	\$	490,202	
Depreciation expense:		(596,417)	
Net:		(106,215)	(106,215)

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: (21,086)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting loss was: (7,700)

Compensated absences: In governmental funds, compensated absences 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: (33,952)

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: 769

Total change in net position - governmental activities \$ 2,241,621

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities:
	Enterprise Fund
ASSETS	
Current Assets	
Cash (Note 2)	\$ 750,463
Accounts Receivable (Note 3)	159,996
Due From Other Funds (Note 4)	377
Total Assets	910,836
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Pension Expense	129,634
LIABILITIES	
Current Liabilities	
Accounts Payable	126,342
Unearned Revenue (Note 1H)	35,442
Due To Other Funds (Note 4)	212,287
Net Pension Liability	963,518
Total Liabilities	1,337,589
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Earnings on Pension Plan Investments	327,093
NET POSITION	
Unrestricted (Deficit)	(624,212)
Total Net Position (Deficit)	\$ (624,212)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities:
	Enterprise Fund
REVENUE	
Charges for Services	\$ 2,332,011
Total Operating Revenue	2,332,011
OPERATING EXPENSES	
Certificated Salaries	41,432
Classified Salaries	1,375,419
Employee Benefits	282,333
Supplies and Equipment	100,234
Other Operating Expenses	284,085
Total Operating Expenses	2,083,503
Operating Income	248,508
NON-OPERATING SOURCE (USE)	
Interest and Investment Revenue	1,141
Transfers Out (Note 4)	(212,078)
Total Non-Operating Sources (Uses)	(210,937)
Net Income	37,571
Total Net Position (Deficit) - July 1, 2014 (Restated - Note 12)	(661,783)
Total Net Position (Deficit) - June 30, 2015	\$ (624,212)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Business-Type Activities
	Enterprise Fund
Cash Flows from Operating Activities	
Cash Received from Parent Fees	\$ 2,421,999
Cash Paid for Services and Other Operating Expenses	(2,149,776)
Net Cash Flows Provided By Operating Activities	272,223
Cash Flows from Investing Activities	
Interest Income Received	1,141
Transfers Out	(212,078)
Net Cash Provided (Used) by Investing Activities	(210,937)
Net Increase in Cash	61,286
Cash, July 1, 2014	689,177
Cash, June 30, 2015	\$ 750,463
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 248,508
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Receivable	103,274
Increase in Deferred Outflows	(22,477)
Decrease in Accounts Payable	(44,714)
Decrease in Deferred Revenue	(13,286)
Decrease in Net Pension Liability	(341,893)
Increase in Due to Other Funds	15,718
Increase in Deferred Inflows	327,093
Total Adjustments	23,715
Net Cash Provided By Operating Activities	\$ 272,223

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private Purpose Trust	
	Scholarship Fund	Agency Funds
ASSETS		
Cash (Note 2)	\$ 49,499	\$ 1,501,492
Total Assets	<u>\$ 49,499</u>	<u>\$ 1,501,492</u>
LIABILITIES		
Accounts Payable		\$ 7,064
Other Accrued Liabilities		1,489,938
Due to Student Groups		<u>4,490</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,501,492</u>
NET POSITION		
Held in Trust For Other Purposes	<u>\$ 49,499</u>	<u>\$ 0</u>
Total Net Position	<u>\$ 49,499</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship Fund
ADDITIONS	
Donations and Gifts	\$ 5,689
Interest and Investment Earnings	151
	5,840
DEDUCTIONS	
Scholarships	2,000
Other Transfers	7,484
	9,484
Change in Net Position (Decrease)	(3,644)
Total Net Position - July 1, 2014	53,143
Total Net Position - June 30, 2015	\$ 49,499

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The County Office accounts for its financial transactions in accordance with the policies and procedures of the 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 (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County Office consists of all funds, departments, boards and agencies that are not legally separate from the County Office. For El Dorado County Office of Education, this includes general operations, food service and student related activities of the County Office. The County Office has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The County Office determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County Office and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the County Office's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The statement of activities does not include County Office allocation. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County Office, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County Office.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

Fund financial statements report detailed information about the County Office. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Enterprise Fund is presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position for proprietary funds presents increases (i.e., revenue) and decreases (i.e., expenditures) in net total assets. The Statement of Cash Flows provides information about how the County Office finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund are parent fees received for before and after school child care services provided.

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds and Fiduciary funds use the accrual basis of accounting.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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. For the County Office, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the County Office receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/expenditures (Concluded):

When both restricted and unrestricted resources are available for use, it is the County Office's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State Teachers Retirement Plan (STRS) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERS) and additions to/deductions from STRS and PERS fiduciary net positions have been determined on the same basis as they are reported separately by STRS and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

D. 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. 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. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The County Office reports the following major funds:

County School Service Fund is the general operating fund of the County Office. It is used to account for all financial resources except those required to be accounted for in another fund. The County Office accounted for the Special Reserve Fund for Other Than Capital Outlay Projects separately, but it has been included with the County School Service Fund in these financial statements to comply with GASB 54.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Special Education Pass-Through Fund is used to account for Special Education revenue passed through to other member Local Educational Agencies by the Administrative Unit of a Special Education Local Plan Area.

Additionally, the County Office reports the following fund types:

Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting. The County Office maintains one major proprietary fund, the Enterprise Fund which is used to account for revenue and expenses for a County-wide before and after school program supported by parent fees.

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County Office programs. The reporting focus is on net position and changes in net position.

The County Office's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the County Office's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The County Office's governing board satisfied these requirements.

These budgets are revised by the County Office's Board of Education and County Office Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the County School Service Fund and the Special Education Pass-Through Fund as required supplementary information in the financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting (Concluded)

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The County Office employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The County Office has recorded budget transfers to make the final budget agree with actual revenues and expenditures.

F. 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.

G. Estimates

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

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the County Office maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the County Office's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County either are secured by federal depository insurance or are collateralized.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The County Office's central warehouse inventory valuation is First-in-First-out (FIFO).

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Stores Inventory and Prepaid Expenditures (Concluded)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The County Office has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The County Office has chosen to report the expenditures in the period benefited.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported 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 outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report 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 will not be recognized as an inflow of resources (revenue) until that time.

5. Unearned Revenue

Cash received for Federal and State special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the County Office. The County Office's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

8. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets " or "restricted net position."

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the County Office's policy is to apply restricted net position first.

10. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the County Office is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriate for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to County Office constraints set aside for specific purposes by the County Superintendent. Any funds set aside as committed fund balance shall be presented within the adopted budget and financial reporting process for approval by formal action by a simple majority vote of the County Board of Education.

Assigned Fund Balance - Includes amounts the County Office intends to use for a specific purpose. Assignments may be established by the County Board of Education, or the County Superintendent. Carryover fund balances are identified by the chief business officer at the close of each fiscal year subject to approval of the Board of Education.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Continued)

Fund Balances

The County Office's fund balances at June 30, 2015 consisted of the following:

	County School Service Fund	Special Education Pass- Through Fund	Other Governmental Funds	Total
Nonspendable:				
Revolving Fund	\$ 2,650			\$ 2,650
Stores Inventory	42,246			42,246
Prepaid Expenditures	289,323			289,323
Total Nonspendable Fund Balance	<u>334,219</u>			<u>334,219</u>
Restricted For:				
Legally Restricted Categorical Funding	2,864,001		\$ 23,841	2,887,842
Remaining Modernization Expenditures			1,488,968	1,488,968
Pass-Through of Special Education Resources		\$ 7,062,212		7,062,212
Total Restricted Fund Balance	<u>2,864,001</u>	<u>7,062,212</u>	<u>1,512,809</u>	<u>11,439,022</u>
Committed For:				
Deferred Maintenance Projects			1,909,996	1,909,996
Total Committed Fund Balance	<u>0</u>	<u>0</u>	<u>1,909,996</u>	<u>1,909,996</u>
Assigned For:				
Technology Improvements/Upgrades	697,660			697,660
Program Carry-over	9,056,564			9,056,564
Salary Settlement	400,000			400,000
Retiree Benefits	662,075			662,075
Total Assigned Fund Balance	<u>10,816,299</u>	<u>0</u>	<u>0</u>	<u>10,816,299</u>
Unassigned:				
Reserve for Economic Uncertainties	1,311,550			1,311,550
Total Unassigned Fund Balance	<u>1,311,550</u>	<u>0</u>	<u>0</u>	<u>1,311,550</u>
Total Fund Balances	<u>\$ 15,326,069</u>	<u>\$ 7,062,212</u>	<u>\$ 3,422,805</u>	<u>\$ 25,811,086</u>

Fund Balance Policy

The County Office believes that sound financial management principles require that sufficient funds be retained by the County Office to provide a stable financial base at all times. To retain this stable financial base, the County Office needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the County Office and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Concluded)

Fund Balance Policy (Concluded)

The purpose of the County Office's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The County Office has adopted a policy to achieve and maintain unrestricted fund balance in the County School Service Fund of 3% of total County School Service Fund expenditures, other uses and transfers out at the close of each fiscal year.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the County Office.

11. Local Control Funding Formula/Property Tax

The County Office's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The County Auditor's office is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county auditor's apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the County Office's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the County Office.

The California Department of Education reduces the County Office's entitlement by the County Office local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

11. Local Control Funding Formula/Property Tax (Concluded)

The County Office's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the County Office is entitled to by law. This amount is multiplied by the annual period ADA to derive the County Office's total entitlement.

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The County Office does not have activities affected by the Standard and therefore the adoption of GASB 69 does not impact the County Office's financial statements. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 72, *Fair Value Measurement and Application* in February 2015 to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using consistent and accepted valuation techniques. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Statement is effective beginning in fiscal year 2015-2016.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. The Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented for other post-employment benefit plans (OPEB) to enhance the decision-usefulness of the financial reports of those OPEB plans. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. The requirements of this Statement will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The Statement is effective beginning in fiscal year 2017-2018.

The GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* superseding Statement No. 55 in June 2015. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements in conformity with GAAP and the framework for selecting those principles. As a result of implementing this Standard, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. The Statement requires disclosure of tax abatement information to make these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and the impact those abatements have on a government's financial position and economic condition. The Statement is effective beginning in fiscal year 2016-2017.

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document. The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014. The Uniform Guidance for Federal Awards will not affect the County Office until fiscal year 2015-2016 as all 2014-2015 federal awards occurred prior to December 26, 2014.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2015:

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
<u>\$22,905,451</u>	<u>\$750,463</u>	<u>\$23,655,914</u>	<u>\$1,550,991</u>	<u>\$25,206,905</u>

The County had the following cash at June 30, 2015:

	<u>Fair Value</u>	<u>Carrying Amount</u>
Cash in Commercial Banks	\$ 542,119	\$ 542,119
Cash in Revolving Fund	2,650	2,650
Cash in County Treasury - Governmental Funds (Net of \$85,409 deficit cash balance in the Adult Education Fund)	22,923,127	22,902,801
Cash in County Treasury - Proprietary Fund	213,023	212,834
Cash in County Treasury - Agency Funds	1,547,874	1,546,501
Total Cash	<u>\$ 25,228,793</u>	<u>\$ 25,206,905</u>

B. Policies and Practices

The County is authorized by State statutes and in accordance with the County's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The County's investments comply with the established policy.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices (Concluded)

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2015 the carrying amount of the County Office's accounts was \$544,769, of which \$292,119 was uninsured. The County Office has not incurred any losses in these accounts.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the County maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$429,492,937. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$429,874,113. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

The County Office ended the year with a negative cash balance in the Adult Education Fund of \$85,409. Under policies set by the El Dorado County Treasurer's Office, the County Office is allowed to carry a negative cash balance in a fund as long as combined cash is positive. The County Office is charged interest on the negative balance by the County Treasurer.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH

C. Risk Disclosures (Concluded)

At June 30, 2015 the County had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	<u>\$24,684,024</u>	<u>\$17,533,062</u>	<u>\$6,812,791</u>	<u>\$338,171</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the County was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name. At year end, the County was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consist of the following:

	Governmental Funds			Total	Proprietary Funds
	County School Service Fund	Special Education Pass-Through Fund	Other Governmental Funds		Enterprise Fund
Federal Government					
Categorical Aid Programs	\$ 2,253,676	\$ 5,602,666	\$ 64,634	\$ 7,920,976	
State Government					
Local Control Funding Formula	63,669			63,669	
Categorical Aid Programs	160,766	2,493,758	78,089	2,732,613	
Lottery	97,896			97,896	
Other	60,815		1,955	62,770	
Total State Government	383,146	2,493,758	80,044	2,956,948	
Local Government	703,094		130,803	833,897	
Miscellaneous	571,427		62,356	633,783	\$ 159,996
Total Accounts Receivable	\$ 3,911,343	\$ 8,096,424	\$ 337,837	\$ 12,345,604	\$ 159,996

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are 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 occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transactions among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2015 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Major Governmental Funds:</u>		
County School Service Fund	\$ 877,405	\$ 2,118,014
Special Education Pass-Through Fund	1,945,572	458,571
<u>Non-Major Governmental Funds:</u>		
Adult Education Fund	448	26,384
Child Development Fund	171,617	180,163
Subtotal Governmental Funds	<u>2,995,042</u>	<u>2,783,132</u>
<u>Proprietary Funds:</u>		
Enterprise Fund	<u>377</u>	<u>212,287</u>
Total	<u>\$ 2,995,419</u>	<u>\$ 2,995,419</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2014-2015 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Governmental Funds:</u>		
County School Service Fund	\$ 447,681	\$ 353,388
<u>Non-Major Governmental Funds:</u>		
Adult Education Fund	7,271	20,292
Child Development Fund	170,950	
Forest Reserve Fund		141,522
County School Facilities Fund	101,378	
Subtotal Governmental Funds	<u>727,280</u>	<u>515,202</u>
<u>Proprietary Funds:</u>		
Enterprise Fund		<u>212,078</u>
Total	<u>\$ 727,280</u>	<u>\$ 727,280</u>

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers (Concluded)

Transferred \$20,292 from the Adult Education Fund to the County School Service Fund for administrative services.

Transferred \$7,271 from the County School Service Fund to the Adult Education Fund to move revenue from the Sheriff's program to adult education.

Transferred \$170,950 from the County School Service Fund to the Child Development Fund to supplement program and provide positive cash flow.

Transferred \$141,522 from the Forest Reserve Fund to the County School Service Fund for annual Forest Reserve allocation.

Transferred \$212,078 from the Enterprise Fund to the County School Service Fund for administrative services.

Transferred \$101,378 from County School Service Fund to the County School Facilities Fund to contribute for expenditures disallowed by the Office of Public School Construction audit.

NOTE 5 - OTHER POST EMPLOYMENT BENEFITS

In addition to the benefits described in Note 8, the County Office has established policies to provide health care benefits for retirees. These retirees are segregated into three groups depending on their job classification, first day of employment, and consecutive years of service. These policies are written and available upon request.

A. Plan Description

The County Office offers medical, prescription drug, behavioral health, dental, and vision benefits through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis. Retirees may choose from a number of CVT Anthem Blue Cross medical/Rx PPO combinations, as well as three Kaiser North HMO options, Delta Dental, VSP Vision, and EAP.

Certificated employees hired prior to January 1, 1981, who have attained age eligibility for retirement under CalSTRS (age 55 and 10 years of full-time equivalent service) may retire and receive a County Office contribution towards medical/prescription drug coverage for the retiree only, subject to a monthly cap of \$667. Retirees may elect dental, vision, EAP, and dependent coverage on a self-paid basis. County Office-paid benefits end at age 65.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

A. Plan Description (Concluded)

Classified employees hired prior to July 1, 1979 who have attained age 55 and completed at least 10 consecutive years of County Office service may retire and receive a County Office contribution towards medical/prescription drug coverage, subject to a monthly cap of \$510. Retirees may elect dental, vision, EAP, and dependent coverage on a self-paid basis. County Office-paid benefits end at age 65.

Management employees hired prior to January 1, 1997 who have attained age 55 and completed at least 12 consecutive years of County Office service may retire and receive a County Office contribution towards medical/prescription drug coverage, subject to a monthly cap of \$513, pro-rated for less than 100% full-time equivalency while in active service. Retirees may elect dental, vision, EAP, and dependent coverage on a self-paid basis. County Office-paid benefits end at age 65.

Employees of all classifications hired on or after the applicable cutoff dates mentioned above are not eligible for County Office-paid retiree health benefits. There are two retirees currently receiving lifetime County Office-paid benefits under grandfathered benefit provisions in effect at the time of their retirements.

B. Funding Policy

As required by GASB 45, an actuary will determine the County Office's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

GASB 45 does not require pre-funding of OPEB benefits. Therefore, the County Office's funding policy is to continue to pay healthcare premiums for retirees as they fall due. The County Office has elected not to establish an irrevocable trust at this time.

The County Office's Board reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the County Office.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

C. Annual OPEB Cost and Net OPEB Asset

The following table shows the components of the County Office's Annual OPEB Cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan, and changes in the County Office's Net OPEB Asset:

<u>Item</u>	<u>June 30, 2015</u>
Annual Required Contributions	\$ 53,283
Interest on Net OPEB Asset	(6,366)
Adjustment to Annual Required Contributions	<u>12,266</u>
Annual OPEB cost (expense)	\$ 59,183
Contributions made	<u>(59,952)</u>
Increase in Net OPEB Asset	\$ (769)
Net OPEB (Asset) - beginning of year	<u>(127,320)</u>
Net OPEB (Asset) - end of year	<u>\$ (128,089)</u>

The County Office's Annual OPEB cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Asset for the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation/ (Asset)</u>
6/30/15	\$59,183	\$59,952	101%	\$(128,089)
6/30/14	\$58,856	\$55,544	94%	\$(127,320)
6/30/13	\$61,254	\$47,898	78%	\$(130,632)

D. Schedule of Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of County Office are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - OTHER POST EMPLOYMENT BENEFITS (CONCLUDED)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2013. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 5 percent discount rate. The medical trend assumption was 8% for the initial year decreasing by 1% per year to an ultimate rate of 5% per year beginning in 2016. The dental trend assumption was not applicable. The discount rate reflects an implicit 3.0 percent general inflation assumption. The County Office's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 15 years.

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 748,482			\$ 748,482
Work in progress	63,555	\$ 4,391		67,946
Total capital assets, not being depreciated	<u>812,037</u>	<u>4,391</u>		<u>816,428</u>
Capital assets being depreciated:				
Buildings	16,193,203	5,950		16,199,153
Improvements of sites	448,754			448,754
Equipment	3,884,592	479,861	\$ 44,314	4,320,139
Total capital assets, being depreciated	<u>20,526,549</u>	<u>485,811</u>	<u>44,314</u>	<u>20,968,046</u>
Less accumulated depreciation for:				
Buildings	6,035,620	362,652		6,398,272
Improvements of sites	321,199	14,008		335,207
Equipment	3,185,560	219,757	36,614	3,368,703
Total accumulated depreciation	<u>9,542,379</u>	<u>596,417</u>	<u>36,614</u>	<u>10,102,182</u>
Total capital assets, being depreciated, net	<u>10,984,170</u>	<u>(110,606)</u>	<u>(7,700)</u>	<u>10,865,864</u>
Governmental activities capital assets, net	<u>\$ 11,796,207</u>	<u>\$ (106,215)</u>	<u>\$ (7,700)</u>	<u>\$ 11,682,292</u>

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$	372,799
Home-to-School Transportation		105,391
Food Services		1,131
Pupil Services		1,009
General Administration		10,918
Data Processing Services		95,673
Plant Services		9,496
		<hr/>
Total	\$	<u>596,417</u>

NOTE 7 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015, is shown below.

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
Compensated Absences	\$ 245,317	\$ 33,952		\$ 279,269	\$ 279,269
Totals	<u>\$ 245,317</u>	<u>\$ 33,952</u>	<u>\$ 0</u>	<u>\$ 279,269</u>	<u>\$ 279,269</u>

Compensated absences are paid from the County School Service Fund.

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Pension Plan Fiduciary Net Position. The plans fiduciary net positions disclosed in this report may differ from the plan assets reported in the funding actuarial valuations reported due to several reasons. First, for the accounting valuations, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net positions. These amounts are excluded for rate setting purposes in the funding actuarial valuations. In addition, differences may result from early closing and final reconciled reserves.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS)

Plan Description. The County Office 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 State of California is a Nonemployer Contributing Entity to STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRS, the state is the sponsor of the STRS and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRS. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95610.

Benefit. STRS provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

Funding Policy. 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. Active plan members are required to contribute 8.15% of their salary and the County Office and the State are required to contribute actuarially determined rates. The actuarial methods and assumptions used for determining the rates are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% and for fiscal year 2014-2015 8.88% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.68%. The County Office's contributions to STRS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,198,458, \$1,114,458, and \$988,135, respectively, and equal 100% of the required contributions for each year.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015 the County Office reported a liability of \$16,362,360 for its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The County Office's proportion of the net pension liability was based on a projection of the County Office's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the County Office's proportion of contributions was 0.0280 percent.

For the year ended June 30, 2015, the County Office recognized pension expense of \$1,878,636 which included the State's required on-behalf contribution. At June 30, 2015, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 4,029,200
Changes in proportion and differences between County Office contributions and proportionate share of contributions	-	-
County Office contributions subsequent to measurement date of June 30, 2014	<u>\$ 1,198,458</u>	-
Totals	<u><u>\$ 1,198,458</u></u>	<u><u>\$ 4,029,200</u></u>

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Actuarial Assumptions. The total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment rate of return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series table adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on Board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the Board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%

* 10-year geometric average

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming the contributions, benefit payments, and administrative expense occurred midyear. Based on those assumptions, the STRS'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 payment to determine the total pension liability.

Presented below is the County Office's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability of Employers</u>
3% Decrease (4.60%)	\$ 49,987,000
2% Decrease (5.60%)	36,560,440
1% Decrease (6.60%)	25,504,640
Current Discount Rate (7.60%)	16,362,360
1% Increase (8.60%)	8,739,360
2% Increase (9.60%)	2,334,080
3% Increase (10.60%)	(3,068,520)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The County Office 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 Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

Funding Policy. Active plan members were required to contribute 6.974% of their salary and the County Office was required to contribute an actuarially annually determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Funding Policy (Concluded). The required employer contribution rate for fiscal 2013-2014 was 11.442% and for fiscal year 2014-2015 11.771% of annual payroll. The contribution requirements of the plan members are established by State statute. The County Office's employer contributions to CalPERS for the fiscal year ending June 30, 2015, 2014 and 2013 were \$1,592,559, \$1,496,404 and \$1,081,864, respectively and equal 100% of the required contributions for each year.

Benefits. CalPERS provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the County Office reported a liability of \$13,180,177 for its proportionate share of the net pension liability for CalPERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The County Office's proportion of the net pension liability was based on a projection of the County Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the County Office's proportion of contributions was 0.1161 percent.

For the year ended June 30, 2015, the County Office recognized pension expense of \$1,725,427. At June 30, 2015, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 4,528,856
Changes in proportion and differences between County Office contributions and proportionate share of contributions	-	-
County Office contributions subsequent to measurement date of June 30, 2014	\$ 1,592,559	-
Totals	<u>\$ 1,592,559</u>	<u>\$ 4,528,856</u>

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Assumptions. For the year ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

CalPERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2014, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

<u>Discount Rate</u>	<u>Plan's Net Pension Liability</u>
1% Decrease (6.50%)	\$ 23,056,455
Current Discount Rate (7.50%)	13,113,495
1% Increase (8.50%)	4,805,128

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

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

Discount Rate (Concluded). The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

New Strategic Asset Class	Real Return Allocation	Real Return Years 1-10¹	Years 11+²
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Cash/Liquidity	2%	(0.55)%	(1.05)%

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The County Office has elected to use Social Security.

D. On Behalf Payment

The County Office was recipients of on-behalf payments made by the State of California to the State Teachers Retirement System (STRS). These payments consist of State general fund contributions of \$680,178 to STRS (5.68% of salaries subject to STRS).

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The County Office is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County Office at June 30, 2015.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

B. State and Federal Allowances, Awards and Grants

The County Office has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the County Office may incur a liability to grantor agencies.

C. Joint Ventures

The County Office participates in two joint ventures under joint powers agreements (JPA's) with Schools Insurance Authority (SIA) and California Valued Trust (CVT). The relationships between the County Office and each JPA is such that the JPA is not a component unit of the County Office for financial reporting purposes. These JPA's are described below.

Schools Insurance Authority arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member local education agency. The Board controls the operations of its JPA, including selection of management and approval of operating budgets independent of any influence by the member entities beyond their representation on the Board. Each member entity pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

California Valued Trust arranges for and provides medical, dental and vision coverage for its members. The JPA is governed by a board consisting of a representative from each member entity. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the Board. Each member entity pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

NOTE 10 - OPERATING LEASES

The County Office has entered into a variety of office equipment leases that extend beyond the current fiscal year. The County Office does not intend to buy-out the equipment at the end of the lease, and historically has turned in the old equipment for new. Payments associated with these leases for fiscal year 2014-2015 totaled \$66,765.

The County Office also leases facilities for terms that extend beyond the current fiscal year. The facilities revert to the lessor upon expiration of the term of each lease. The rental amount for fiscal year 2014-2015 was \$136,640.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - OPERATING LEASES (CONCLUDED)

The County Office will receive no sublease rental revenues nor pay any contingent rentals for these properties.

The following is a schedule by year of minimum future rentals on non-cancelable operating leases as of June 30, 2015.

<u>Year Ended</u> <u>June 30</u>	<u>Future</u> <u>Minimum Rent</u> <u>Payments</u>
2016	\$ 180,072
2017	178,992
2018	136,093
2019	133,146
2020	27,324
Total	<u>\$ 655,627</u>

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The County Office is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the County Office contracted with Schools Insurance Authority (SIA) for property and liability insurance coverage and also for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2015, the County Office participated in the Schools Insurance Authority (SIA), an insurance purchasing pool. The intent of the SIA is to achieve the benefit of a reduced premium for the County Office by virtue of its grouping and representation with other participants in the SIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SIA. Participation in the SIA is limited to districts that can meet the SIA selection criteria.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RESTATEMENT OF NET POSITION

The amounts previously reported as Governmental Activities Net Position at June 30, 2014 on the Government-Wide Statement of Net Position have been restated due to implementing Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The June 30, 2014, Net Position is being restated to recognize the net effect resulting from recognition of Deferred Outflows of Pension costs and related pension liability as follows:

	<u>Government-Wide Financial Statements</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position, June 30, 2014 as originally reported	\$ 35,079,491	\$ 536,471
Retroactive recognition of the County Office's share of unfunded pension liabilities for STRS and PERS	<u>(34,127,513)</u>	<u>(1,198,254)</u>
Net Position, June 30, 2014 as restated	<u>\$ 951,978</u>	<u>\$ (661,783)</u>

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 29, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
COUNTY SCHOOL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local Control Funding Formula Sources:				
State Apportionments	\$ 9,608,544	\$ 9,095,647	\$ 9,236,276	\$ 140,629
Local Sources	6,806,623	7,158,699	7,233,113	74,414
Total Local Control Funding Formula Sources	16,415,167	16,254,346	16,469,389	215,043
Federal Revenue	7,968,756	7,949,430	7,990,111	40,681
Other State Revenue	8,621,037	8,950,188	8,895,385	(54,803)
Other Local Revenue	9,204,991	10,354,999	10,378,730	23,731
Total Revenues	42,209,951	43,508,963	43,733,615	224,652
EXPENDITURES				
Certificated Salaries	14,347,901	14,098,525	14,093,603	4,922
Classified Salaries	11,712,592	12,259,069	12,235,306	23,763
Employee Benefits	7,839,322	8,354,581	8,146,905	207,676
Books and Supplies	1,768,950	2,459,292	1,895,922	563,370
Services and Other				
Operating Expenditures	7,365,068	7,813,813	6,794,099	1,019,714
Capital Outlay	222,812	574,646	476,600	98,046
Other Outgo	(227,720)	(219,679)	(217,568)	(2,111)
Total Expenditures	43,028,925	45,340,247	43,424,867	1,915,380
Excess of Revenues Over (Under) Expenditures	(818,974)	(1,831,284)	308,748	2,140,032
Other Financing Sources (Uses):				
Operating Transfers In	298,114	457,249	447,681	(9,568)
Operating Transfers Out	(340,709)	(559,273)	(353,388)	205,885
Total Other Financing Sources (Uses)	(42,595)	(102,024)	94,293	196,317
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(861,569)	(1,933,308)	403,041	2,336,349
Fund Balances - July 1, 2014	13,532,268	14,923,028	14,923,028	0
Fund Balances - June 30, 2015	\$ 12,670,699	\$ 12,989,720	\$ 15,326,069	\$ 2,336,349

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
SPECIAL EDUCATION PASS-THROUGH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal Revenue	\$ 13,345,925	\$ 14,556,756	\$ 14,351,366	(205,390)
Other State Revenue	60,040,266	64,437,396	65,938,096	\$ 1,500,700
Other Local Revenue	9,212	5,716	21,388	15,672
	<u>73,395,403</u>	<u>78,999,868</u>	<u>80,310,850</u>	<u>1,310,982</u>
EXPENDITURES				
Other Outgo	<u>73,731,556</u>	<u>79,142,394</u>	<u>78,470,159</u>	<u>672,235</u>
Excess of Revenues Over (Under) Expenditures	(336,153)	(142,526)	1,840,691	1,983,217
Fund Balances - July 1, 2014	<u>5,495,005</u>	<u>5,221,521</u>	<u>5,221,521</u>	<u>0</u>
Fund Balances - June 30, 2015	<u>\$ 5,158,852</u>	<u>\$ 5,078,995</u>	<u>\$ 7,062,212</u>	<u>\$ 1,983,217</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/13	July 1, 2010	\$ -	\$ 606,087	\$ 606,087	0%	\$ 1,642,299	37%
6/30/14	July 1, 2013	\$ -	\$ 448,270	\$ 448,270	0%	\$ 1,720,638	26%
6/30/15	July 1, 2013	\$ -	\$ 448,270	\$ 448,270	0%	\$ 1,097,040	41%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULES OF THE COUNTY OFFICE'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

	2015
County Office's proportion of the net pension liability	0.0280%
County Office's proportionate share of the net pension liability	\$ 16,362,360
County Office's covered-employee payroll	\$ 13,512,958
County Office's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121%
Plan fiduciary net position as a percentage of the total pension liability	77%

Public Employee Retirement System (CalPERS)

County Office's proportion of the net pension liability	0.1161%
County Office's proportionate share of the net pension liability	\$ 13,180,177
County Office's covered-employee payroll	\$ 13,078,168
County Office's proportionate share of the net pension liability as a percentage of its covered-employee payroll	101%
Plan fiduciary net position as a percentage of the total pension liability	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULES OF THE COUNTY OFFICE'S CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

	2015
Contractually required contribution	\$ 1,114,819
Contributions in relation to the contractually required contribution	1,114,819
Contribution deficiency (excess)	\$ 0
County Office's covered-employee payroll	\$ 13,512,958
Contributions as a percentage of covered-employee payroll	8.250%

Public Employee Retirement System (CalPERS)

Contractually required contribution	\$ 1,496,404
Contributions in relation to the contractually required contribution	1,496,404
Contribution deficiency (excess)	\$ 0
County Office's covered-employee payroll	\$ 13,078,168
Contributions as a percentage of covered-employee payroll	11.442%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

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 Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Special Education Pass-Through Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B. Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C. Schedules of the County Office's Proportionate Share of the Net Pension Liability

These schedules present information on the County Office's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

D. Schedules of the County Office's Contributions

These schedules provide information about the County Office's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

EL DORADO COUNTY OFFICE OF EDUCATION

PLACERVILLE, CALIFORNIA

JUNE 30, 2015

ORGANIZATION

The El Dorado County Office of Education provides leadership and support services for the independent school districts located in El Dorado County. In addition, the Superintendent maintains special schools and programs county-wide independently of the school districts.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
John Lane	President	November, 2018
Rich Fischer	Vice President	November, 2016
Debbie Akin	Member	November, 2016
Georgianne Knight	Member	November, 2018
Heidi Weiland	Member	November, 2018

ADMINISTRATION

Jeremy Meyers
Superintendent

Robbie Montalbano
Deputy Superintendent
Administrative Services

Ed Manansala, Ed. D.
Deputy Superintendent
Educational Services

Jim Maher
Senior Director, Internal Business Services

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

COUNTY OPERATED PROGRAMS

	(Revised) Second Period Report	Annual Report
	<u>Report</u>	<u>Annual Report</u>
Special Education - Special Day Class		
Transitional Kindergarten through Third	33	34
Fourth through Sixth	25	26
Seventh and Eighth	26	27
Ninth through Twelfth	66	65
Special Education - Nonpublic, Nonsectarian Schools		
Fourth through Sixth	2	2
Seventh and Eighth	5	4
Ninth through Twelfth	6	6
Extended Year Special Education - Special Education, Nonpublic, Nonsectarian Schools		
Transitional Kindergarten through Third	3	3
Fourth through Sixth	2	2
Seventh and Eighth	2	2
Ninth through Twelfth	6	6
Juvenile Halls, Homes and Camp		
Elementary	1	1
High School	26	28
Adults in Correctional Facilities	<u>6</u>	<u>6</u>
ADA Totals	<u><u>209</u></u>	<u><u>212</u></u>

CHARTER ALTERNATIVE PROGRAM

	Second Period Report	Annual Report
	<u>Report</u>	<u>Annual Report</u>
County Community Schools		
Transitional Kindergarten through Third	53	56
Classroom-based ADA for TK through Third	0	0
Fourth through Sixth	53	55
Classroom-based ADA for Fourth and Fifth	0	0
Seventh and Eighth	58	58
Classroom-based ADA for Seventh and Eighth	0	0
Probation Referred, On Probation or Parole, Expelled		
Ungraded	6	7
Classroom-based ADA for Ungraded	<u>0</u>	<u>0</u>
ADA Totals	<u><u>170</u></u>	<u><u>176</u></u>
Classroom-based ADA Totals	<u><u>0</u></u>	<u><u>0</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONCLUDED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

RITE OF PASSAGE

	Second Period Report	(Revised) Annual Report
Juvenile Halls, Homes and Camp		
High school	201	199
Classroom-based ADA for High School	201	199
ADA Totals	201	199
Classroom-based ADA Totals	201	199

CHARTER COMMUNITY SCHOOL HOME STUDY ACADEMY

	Second Period Report	Annual Report
County Community Schools		
Transitional Kindergarten through Third	2	2
Classroom-based ADA for TK through Third	2	2
Fourth through Sixth	6	6
Classroom-based ADA for Fourth and Fifth	6	6
Seventh and Eighth	68	68
Classroom-based ADA for Seventh and Eighth	1	1
Ninth through Twelfth	138	136
Classroom-based ADA for Ninth through Twelfth	0	0
Probation Referred, On Probation or Parole, Expelled		
Elementary	78	74
Classroom-based ADA for Elementary	78	74
High school	193	192
Classroom-based ADA for High School	102	99
ADA Totals	485	478
Classroom-based ADA Totals	189	182

Average daily attendance is a measurement of the numbers 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 the County Office. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Minutes Requirement As Reduced</u>	<u>2014-2015 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Charter School:					
Rite of Passage					
Grade 9	64,800	62,949	107,930	251	In Compliance
Grade 10	64,800	62,949	107,930	251	In Compliance
Grade 11	64,800	62,949	107,930	251	In Compliance
Grade 12	64,800	62,949	107,930	251	In Compliance
Charter County Community School					
Kindergarten	36,000	34,971	63,900	180	In Compliance
Grade 1	50,400	48,960	63,900	180	In Compliance
Grade 2	50,400	48,960	63,900	180	In Compliance
Grade 3	50,400	48,960	63,900	180	In Compliance
Grade 4	54,000	52,457	63,900	180	In Compliance
Grade 5	54,000	52,457	63,900	180	In Compliance
Grade 6	54,000	52,457	63,900	180	In Compliance
Grade 7	54,000	52,457	64,184	180	In Compliance
Grade 8	54,000	52,457	64,184	180	In Compliance
Grade 9	64,800	62,949	64,184	180	In Compliance
Grade 10	64,800	62,949	64,184	180	In Compliance
Grade 11	64,800	62,949	64,184	180	In Compliance
Grade 12	64,800	62,949	64,184	180	In Compliance

Charter Schools must maintain their instructional minutes at the levels required by Education Code Section 47612.5, reduced pursuant to the provisions of Education Code Section 46201.2(b) for the 2014-2015 school year.

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The County Office operated four charter schools during 2014-2015 and the financial activity for each charter listed is included in these financial statements.

1. Rite of Passage (#053) - site based charter school for juvenile hall high school students.
2. Charter Community School Home Study Academy (#005) - K-12 charter school serving at risk and independent study students through a combination of site based and independent study instruction.
3. Charter Alternative Program (#360) - K-8 independent study charter school serving at risk students.

The financial activities of the charter schools listed above are included in the County School Service Fund.

The County Office also sponsored two additional charters, below, however these programs are inactive and received no advance apportionment during 2014-2015.

4. El Dorado COE Community Day (#782)
5. Workforce Investment Act Charter (#1013)

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Forest Reserve Funds	10.665*	10044	\$ 773,937
Passed through the California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch (Sec 4 and Sec 11)	10.555	13523/13524	182,587
School Breakfast Needy	10.553	13526	83,753
Meal Supplements	10.556	13528	37,792
CCFP Cash in Lieu of Commodities	10.558	13389	13,265
Subtotal Child Nutrition Cluster			<u>317,397</u>
Total U.S. Department of Agriculture			<u>1,091,334</u>
US. Department of Education:			
Indian Education	84.060	10011	<u>207,643</u>
Passed through CDE:			
Title I Cluster:			
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	330,662
NCLB: Title I, Part D, Local Delinquent Programs	84.010	14357	480,145
Subtotal Title I Cluster			<u>810,807</u>
Special Education Cluster:			
IDEA: Basic Local Assistance, Part B, Section 611	84.027*	13379	14,624,032
IDEA: Local Assistance, Part B, Section 611, Private Schools ISPs	84.027*	10115	22,049
IDEA: Preschool Local Entitlements Part B, Section 611	84.027A*	13682	201,001
IDEA: Mental Health Allocation Plan, Part B, Section 611	84.027A*	14468	1,440,372
IDEA: Preschool Grants	84.173*	13430	116,277
IDEA: Alternative Dispute Resolution, Part B, Sec 611	84.173A*	13007	15,000
Subtotal Special Education Cluster			<u>16,418,731</u>
IDEA: Early Intervention Grants, Part C	84.181	23761	42,634
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	54,903
NCLB: Title II, Part A, Teacher Quality	84.367	14341	6,477
NCLB: Title X, McKinney-Vento Homeless Assistance	84.196	14332	35,839
Total U.S. Department of Education			<u>17,577,034</u>
U.S. Department of Health and Human Services:			
Head Start	93.600*	N/A	<u>4,506,053</u>
Passed through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	<u>258,389</u>
Passed through CDE:			
Child Care and Development Block Grant Cluster:			
Child Development: Federal General (CCTR) and State Preschool (CSPP)	93.596*	13609	124,645
Child Development: Child Care Initiative Project (CCIP) / Resource & Referral Contracts (CRRP)	93.575*	13942	37,490
Child Development: Local Planning Councils	93.575*	13946	52,729
Subtotal Child Care and Development Block Grant Cluster			<u>214,864</u>
Total U.S. Department of Health and Human Services			<u>4,979,306</u>
Total Federal Programs			<u>\$ 23,647,674</u>

* Considered a major program.

EL DORADO COUNTY OFFICE OF EDUCATION
RECONCILIATION OF UNAUDITED ACTUAL
FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	County School Service Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Enterprise Fund
June 30, 2015, Annual Unaudited Actual Financial Report Fund Balance/Net Position	\$ 14,663,994	\$ 662,075	\$ 536,765
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance/Net Position:			
To conform with GAAP, activity reported separately by the County Office in certain Special Revenue Funds is reported in the General Fund in these financial statements.	662,075	(662,075)	
Restatement of Beginning Net Position as described in Note 12 in Notes to Financial Statements			(1,198,254)
Overstatement of 2014-2015 employee benefits expense relating to GASB 68 implementation			37,277
Net Adjustments and Reclassifications	662,075	(662,075)	(1,160,977)
June 30, 2015, Audited Financial Statement Fund Balance/Net Position (Deficit)	\$ 15,326,069	\$ 0	\$ (624,212)

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2015.

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>County School Service Fund</u>	Budget 2015-2016	2014-2015	2013-2014	2012-2013
Revenues and Other Financial Sources	\$ 43,841,221	\$ 44,181,296	\$ 39,145,630	\$ 37,211,281
Expenditures	44,838,391	43,424,867	38,475,086	36,453,731
Other Uses and Transfers Out	625,828	353,388	15,514	6,018
Total Outgo	45,464,219	43,778,255	38,490,600	36,459,749
Change in Fund Balance (Deficit)	(1,622,998)	403,041	655,030	751,532
Ending Fund Balance	\$ 11,372,605	\$ 15,326,069	\$ 14,923,028	\$ 14,267,998
Available Reserves	\$ 1,362,033	\$ 1,311,550	\$ 3,984,272	\$ 3,396,265
Reserve for Economic Uncertainties	\$ 1,362,033	\$ 1,311,550	\$ 3,984,272	\$ 3,396,265
Available Reserves as a Percentage of Total Outgo	3.0%	3.0%	10.4%	9.3%
Total Long-Term Debt	\$ 279,269	\$ 279,269	\$ 245,317	\$ 218,586
Average Daily Attendance at P-2	1,041	1,065	1,083	1,096

The County School Service Fund balance has increased by \$1,809,603 over the past three years.

Available reserves consist of all unassigned fund balances contained within the County School Service Fund. The State recommends available reserves of at least 3 percent of total County School Service Fund expenditures, transfers out and other uses (total outgo).

Average Daily Attendance (ADA) has decreased by 31 during the past two years.

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF FIRST 5 CALIFORNIA (F5CA) FUNDING
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Program</u>	<u>Source</u>	<u>Revenue F5CA Funds</u>	<u>Expenditures</u>	<u>Change (Decrease) in Net Assets</u>	<u>Net Assets July 1, 2014</u>	<u>Net Assets June 30, 2015</u>
CARES Plus Program, Phase II	F5CA Program Funds	\$ 49,020	\$ 49,020	\$ 0	\$ 0	\$ 0
	County, Local Funds		\$ 49,717			

The County Office accounts for these expenditures in the Child Development Fund using a locally restricted resource code

EL DORADO COUNTY OFFICE OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2015

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	County School Facilities Fund	Total Non-Major Governmental Funds
ASSETS						
Cash		\$ 65,119	\$ 1,913,746	\$ 3,346	\$ 1,489,053	\$ 3,471,264
Accounts Receivable	\$ 114,299	223,538				337,837
Due From Other Funds	448	171,617				172,065
Total Assets	\$ 114,747	\$ 460,274	\$ 1,913,746	\$ 3,346	\$ 1,489,053	\$ 3,981,166
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deficit Cash	\$ 85,409					\$ 85,409
Accounts Payable	2,954	\$ 12,136	\$ 3,750	\$ 3,050	\$ 85	21,975
Unearned Revenue		244,430				244,430
Due to Other Funds	26,384	180,163				206,547
Total Liabilities	114,747	436,729	3,750	3,050	85	558,361
Fund Balances:						
Restricted		23,545		296	1,488,968	1,512,809
Committed			1,909,996			1,909,996
Total Fund Balances	0	23,545	1,909,996	296	1,488,968	3,422,805
Total Liabilities and Fund Balances	\$ 114,747	\$ 460,274	\$ 1,913,746	\$ 3,346	\$ 1,489,053	\$ 3,981,166

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	County School Facilities Fund	Total Non-Major Governmental Funds
REVENUES						
Local Control Funding						
Formula Sources:						
State Apportionments			\$ 156,436			\$ 156,436
Total Local Control Funding						
Formula Sources			156,436			156,436
Federal Revenue		\$ 532,260		\$ 773,937		1,306,197
Other State Revenue	\$ 14,206	1,622,786				1,636,992
Other Local Revenue	160,970	473,266	4,849	295	\$ 3,996	643,376
Total Revenues	175,176	2,628,312	161,285	774,232	3,996	3,743,001
EXPENDITURES						
Certificated Salaries	98,459	577,723				676,182
Classified Salaries	10,520	801,598				812,118
Employee Benefits	30,678	513,066				543,744
Books and Supplies	1,579	226,648				228,227
Services and Other						
Operating Expenditures	7,599	463,753	108,100			579,452
Capital Outlay					4,391	4,391
Interest and Fiscal Charges	214					214
Other Outgo	13,106	204,463		632,816		850,385
Total Expenditures	162,155	2,787,251	108,100	632,816	4,391	3,694,713
Excess of Revenues Over (Under) Expenditures	13,021	(158,939)	53,185	141,416	(395)	48,288
Other Financing Sources (Uses):						
Operating Transfers In	7,271	170,950			101,378	279,599
Operating Transfers Out	(20,292)			(141,522)		(161,814)
Total Other Financing Sources (Uses)	(13,021)	170,950	0	(141,522)	101,378	117,785
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	12,011	53,185	(106)	100,983	166,073
Fund Balances - July 1, 2014	0	11,534	1,856,811	402	1,387,985	3,256,732
Fund Balances - June 30, 2015	\$ 0	\$ 23,545	\$ 1,909,996	\$ 296	\$ 1,488,968	\$ 3,422,805

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Beginning Balances	Additions	Deductions	Ending Balances
<u>HOME STUDY ACADEMY - STUDENT BODY ACCOUNT</u>				
ASSETS				
Cash on Hand and in Banks	\$ 1,969	\$ 0	\$ 0	\$ 1,969
LIABILITIES				
Due to Student Groups	\$ 1,969	\$ 0	\$ 0	\$ 1,969
<u>CHARTER SCHOOL - STUDENT BODY ACCOUNT</u>				
ASSETS				
Cash on Hand and in Banks	\$ 2,551	\$ 3,470	\$ 3,500	\$ 2,521
LIABILITIES				
Due to Student Groups	\$ 2,551	\$ 3,470	\$ 3,500	\$ 2,521
<u>PAYROLL REVOLVING FUND</u>				
ASSETS				
Cash in County Treasury	\$ 1,831,420	\$ 207,055,182	\$ 207,396,664	\$ 1,489,938
LIABILITIES				
Payroll Payables	\$ 1,831,420	\$ 207,055,182	\$ 207,396,664	\$ 1,489,938
<u>ACCOUNTS PAYABLE REVOLVING FUND</u>				
ASSETS				
Cash in County Treasury	\$ 0	\$ 222,196,043	\$ 222,188,979	\$ 7,064
LIABILITIES				
Accounts Payable	\$ 0	\$ 222,196,043	\$ 222,188,979	\$ 7,064
<u>TOTAL - FIDUCIARY FUNDS</u>				
ASSETS				
Cash in County Treasury	\$ 1,831,420	\$ 429,251,225	\$ 429,585,643	\$ 1,497,002
Cash on Hand and in Bank	4,520	3,470	3,500	4,490
Total Assets	<u>\$ 1,835,940</u>	<u>\$ 429,254,695</u>	<u>\$ 429,589,143</u>	<u>\$ 1,501,492</u>
LIABILITIES				
Payroll Payables	\$ 1,831,420	\$ 207,055,182	\$ 207,396,664	\$ 1,489,938
Accounts Payable	0	222,196,043	222,188,979	7,064
Due to Student Groups	4,520	3,470	3,500	4,490
Total Liabilities	<u>\$ 1,835,940</u>	<u>\$ 429,254,695</u>	<u>\$ 429,589,143</u>	<u>\$ 1,501,492</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF STATEMENTS AND 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 school County Offices. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the Charter Schools and whether the Charter Schools complied with the provisions of Education Code Section 47612 and 47612.5.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the County Office and displays information for each charter school on whether or not the charter school is included in the County Office audit.

D. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the County Office and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

E. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the County Office.

G. Schedule of First 5 California (F5CA) Funding

This schedule summarizes the activity for the El Dorado County First 5 C.A.R.E.S. Plus Program.

H. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the County Office's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the County Office's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

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

Board of Education
El Dorado County Office of Education
Placerville, 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, business-type activities, each major fund, and the aggregate remaining fund information of El Dorado County Office of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise El Dorado County Office of Education's basic financial statements and have issued our report thereon dated January 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Dorado County Office of Education's, internal control over financial reporting (internal control) to determine the 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 El Dorado County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of El Dorado County Office of Education's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Dorado County Office of Education's financial statements are free of 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 determination of financial statement amounts. 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*.

El Dorado County Office of Education's Responses to Findings

El Dorado County Office of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. El Dorado County Office of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

January 29, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Education
El Dorado County Office of Education
Placerville, California

Report on Compliance for Each Major Federal Program

We have audited El Dorado County Office of Education 's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of El Dorado County Office of Education's major federal programs for the year ended June 30, 2015. El Dorado County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of El Dorado County Office of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about El Dorado County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of El Dorado County Office of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, El Dorado County Office of Education, complied, in all material respects, with the types of 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, 2015.

Report on Internal Control Over Compliance

Management of El Dorado County Office of Education, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered El Dorado County Office of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of El Dorado County Office of Education's 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 the 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

January 29, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
El Dorado County Office of Education
Placerville, California

We have audited El Dorado County Office of Education's compliance with the types of compliance requirements described in the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of El Dorado County Office of Education's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with State laws and regulations of El Dorado County Office of Education's State government programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about El Dorado County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of El Dorado County Office of Education's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the County Office's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Mis-assignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

<u>Description</u>	<u>Procedures Performed</u>
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Yes
School Districts, County Office of Education and Charter Schools:	
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	Not Applicable
After School	Not Applicable
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Partial procedures were performed for California Clean Energy Jobs Act because the County Office is in the preliminary phase and has only incurred planning expenditures.

Opinion on Each State Government Program

In our opinion, El Dorado County Office of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2015.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
 Certified Public Accountants

January 29, 2016

FINDINGS AND QUESTIONED COSTS SECTION

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133? Yes No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Forest Reserve
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
93.600	Head Start
93.575, 93.596	Child Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$709,430

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal control over state programs:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered to be material weakness? Yes None reported

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

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

Section II - Financial Statements Findings

2015 - 001 - PAYROLL DISBURSEMENTS - 30000

Criteria: Sound accounting policies require an internal control system be in place to ensure each transaction is complete, accurate and reviewed by a knowledgeable person prior to processing.

Statement of Condition: During our testing of internal controls over payroll disbursements, we identified systemic errors in the calculation of longevity pay, including reductions for employees working less than full time.

Cause: Longevity pay adjustments have to be calculated separately for each pay period for employees when hours worked differ from their contracted hours.

Effect or Potential Effect: The County Office provided evidence of an internal audit of the sixty-two employees identified as working less than full time and receiving longevity; of these, thirty-three employees (53%) had errors.

Questioned Costs: The internal audit identified employees were underpaid a net of \$286.03 (\$509.89 underpaid, \$223.86 overpaid).

Recommendation: To reduce the risk of errors occurring and not being detected in the future, we recommend a review system be set up adding an extra verification of pay for employees where one-time or unique calculations occur. Additionally, the County Office should make payments to employees who were underpaid and make arrangements to recover the overpayments from employees that were overpaid.

County Office Response: We agree with the finding. We have implemented a review system that provides for secondary verifications of such one-time and unique calculations and have made payments to employees who were underpaid.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

EL DORADO COUNTY OFFICE OF EDUCATION

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2015

There were no findings or questioned costs considered reportable conditions determined as a result of our audit of El Dorado County Office of Education for the year ended June 30, 2014.