

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

EL DORADO COUNTY OFFICE OF EDUCATION

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	20
Statement of Cash Flows	21
Statement of Net Position - Fiduciary Funds	22
Statement of Changes in Net Position - Fiduciary Funds	23
Notes to Financial Statements	24

EL DORADO COUNTY OFFICE OF EDUCATION

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP) and Actual - County School Service Fund	58
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP) and Actual - Special Education Pass-Through Fund	59
Schedule of Other Postemployment Benefits (OPEB)	60
Schedules of the County Office's Proportionate Share of the Net Pension Liability	61
Schedules of the County Office's Contributions	62
Notes to Required Supplementary Information	63
<u>SUPPLEMENTARY INFORMATION SECTION</u>	
Organization/Governing Board/Administration	64
Schedule of Average Daily Attendance	65
Schedule of Instructional Time	67
Schedule of Charter Schools	68
Schedule of Expenditures of Federal Awards	69
Reconciliation of Unaudited Actuals Financial Report with Audited Financial Statements	71
Schedule of Financial Trends and Analysis	72
Schedule of First 5 California (F5CA) Funding	73
Combining Statements - Non-Major Governmental Funds:	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	75
Combining Statement of Changes in Assets and Liabilities Agency Funds - Fiduciary Funds	76
Notes to Supplementary Information	77

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
<u>OTHER INDEPENDENT AUDITOR'S REPORT SECTION</u>	
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 <i>Government Auditing Standards</i>	78
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	80
Independent Auditor's Report on Compliance with State Laws and Regulations	82
<u>FINDINGS AND QUESTIONED COSTS SECTION</u>	
Schedule of Audit Findings and Questioned Costs	84
Section I - Summary of Auditor's Results	84
Section II - Financial Statement Findings	85
Section III - Federal Award Findings and Questioned Costs	85
Section IV - State Award Findings and Questioned Costs	86
Summary Schedule of Prior Year Audit Findings	87

FINANCIAL SECTION

GOODELL,
PORTER,
SANCHEZ &
BRIGHT, LLP

CERTIFIED
PUBLIC
ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 12, 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

December 12, 2016

EL DORADO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. 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 2015-2016 by \$16.9 million or 13.1% (see Table 2, page 8 of this document).
- Of the total change in revenues above, unrestricted revenue increased by \$2.3 million, while program revenue increased by \$14.6 million. The increase resulted primarily from increased funding in Charter SELPA Federal, State and Mental Health sources in the amount of \$12.0 million; Career Technical Education Incentive Grant funds of \$1.9 million; and one-time funds for outstanding mandate claims of \$1.1 million.
- Revenue from Business Type Activities increased by \$171 thousand due to an increase in utilization of Extended Day services.

Expenditure Changes:

- Total expenditures from Governmental Activities increased \$18.7 million over 2014-2015 levels.
- Direct Instructional activities increased by \$853 thousand primarily due to increased expenses for salaries, State Teachers' Retirement System (STRS) and countywide technology-based instructional services.
- Instructional Support Services increased by \$3.2 million. The majority of this increase can be attributed to an increase in Charter SELPA and Career Technical Education Incentive Grant expenses.
- Pupil Support Services increased by \$586 thousand primarily due to an increase in health services, transportation services including vehicle replacements, and services to foster youth.
- General Administration increased by approximately \$1.1 million due to Charter SELPA growth and increased salary expenses and operating expenses.
- Other outgo increased by \$12.2 million due to growth in Charter SELPA pass thru payments.

Reserves:

- County School Service Fund revenues and other sources exceeded expenditures and other uses by \$440 thousand and ended the year with available reserves totaling \$1.4 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 \$22.1 million. After depreciation, the June 30, 2016 book value for fixed assets totaled \$11.8 million.

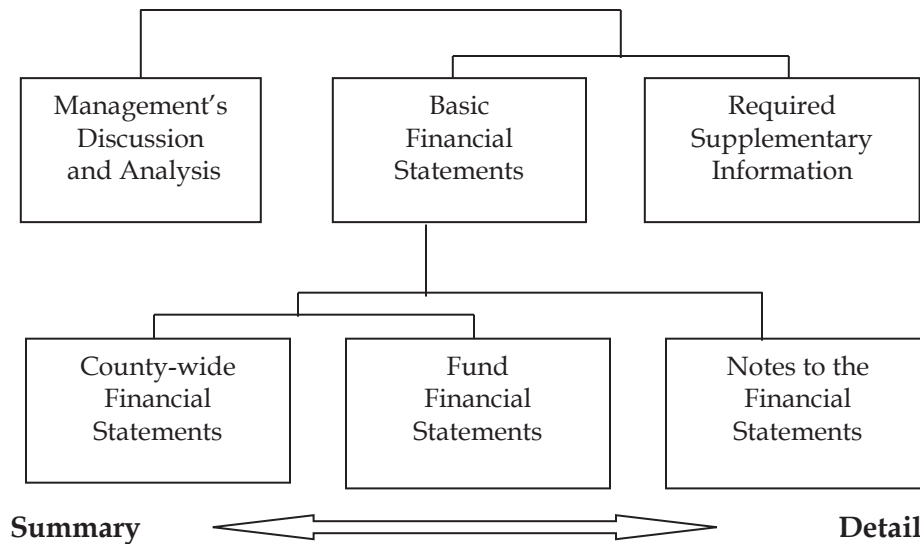
GASB 68:

- In complying with GASB 68, the County Office recognized 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. Recognizing the liabilities decreased the June 30, 2014 governmental activities total net position on the Statement of Net Position by \$35.3 million. The County Office's portion of the unfunded STRS and PERS pension liability increased \$8.3 million in 2015-2016 and is reported in the Statement of Net Position.

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.

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 2015-2016?"

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, 2016

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, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The County Office as a Whole

The County Office's net position was \$3.6 million at June 30, 2016. Of this amount a deficit \$21.1 million was unrestricted. Net investment in capital assets account for \$11.8 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	
	2016	2015	2016	2015	2016	2015
ASSETS						
Cash	\$ 42,176,045	\$ 22,990,860	\$ 883,930	\$ 750,463	\$ 43,059,975	\$ 23,741,323
Receivables	13,262,901	12,345,604	137,742	159,996	13,400,643	12,505,600
Stores Inventory	43,511	42,246			43,511	42,246
Prepaid expenditures	452,494	289,323			452,494	289,323
Capital assets	11,795,625	11,682,292			11,795,625	11,682,292
Due from (to) other funds	222,883	211,910	(222,883)	(211,910)		
Other postemployment benefits	128,019	128,089			128,019	128,089
Total Assets	<u>68,081,478</u>	<u>47,690,324</u>	<u>798,789</u>	<u>698,549</u>	<u>68,880,267</u>	<u>48,388,873</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows on pensions	7,664,523	2,661,383	539,948	129,634	8,204,471	2,791,017
LIABILITIES						
Deficit cash		85,409				85,409
Accounts payable and other current liabilities	27,520,838	8,862,363	180,457	126,342	27,701,295	8,988,705
Unearned revenue	1,327,236	1,121,085	29,601	35,442	1,356,837	1,156,527
Long-term liabilities	36,734,453	28,858,288	1,376,274	963,518	38,110,727	29,821,806
Total Liabilities	<u>65,582,527</u>	<u>38,927,145</u>	<u>1,586,332</u>	<u>1,125,302</u>	<u>67,168,859</u>	<u>40,052,447</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows on pensions	6,574,510	8,230,963	362,208	327,093	6,936,718	8,558,056
NET POSITION						
Net investment in capital assets	11,795,625	11,682,292			11,795,625	11,682,292
Restricted	12,867,492	11,439,022			12,867,492	11,439,022
Unrestricted (Deficit)	(21,074,153)	(19,927,715)	(609,803)	(624,212)	(21,683,956)	(20,551,927)
Total Net Position (Deficit)	<u>\$ 3,588,964</u>	<u>\$ 3,193,599</u>	<u>\$ (609,803)</u>	<u>\$ (624,212)</u>	<u>\$ 2,979,161</u>	<u>\$ 2,569,387</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, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The County Office's net position increased \$395 thousand this fiscal year (See Table 2.) The County Office's expenses for instruction related services and pupil support services represented 28 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 Special Education revenues to others were 63 percent. The remaining 3 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**

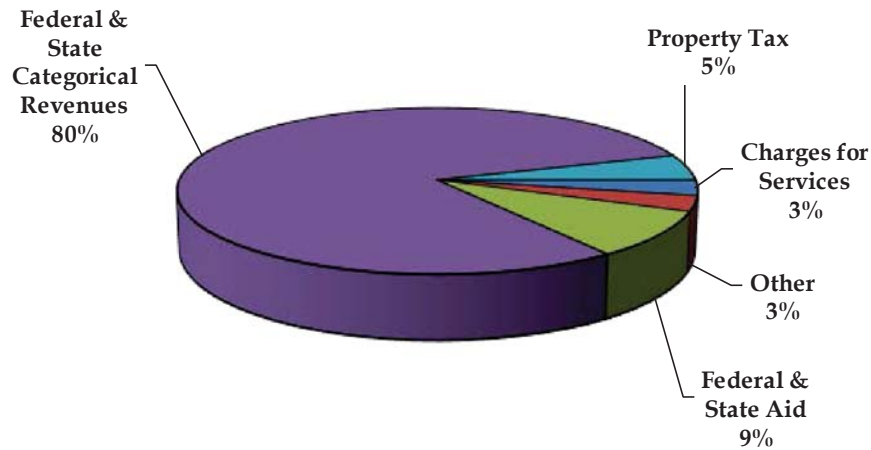
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues	\$ 120,408,124	\$ 105,797,102	\$ 2,504,485	\$ 2,332,011	\$ 122,912,609	\$ 108,129,113
General revenues						
Taxes levied for general	6,577,045	6,025,958			6,577,045	6,025,958
Taxes levied for specific	21,993	20,801			21,993	20,801
Federal and State Aid not restricted to specific purposes	12,351,318	11,687,201			12,351,318	11,687,201
Interest and investment	101,252	49,010	987	1,140	102,239	50,150
Interagency revenues	1,351,963	1,269,033			1,351,963	1,269,033
Transfers	223,047	212,078	(223,047)	(212,078)	0	0
Miscellaneous	4,438,638	3,543,885	9,422		4,448,060	3,543,885
Total revenues	<u>145,473,380</u>	<u>128,605,068</u>	<u>2,291,847</u>	<u>2,121,073</u>	<u>147,765,227</u>	<u>130,726,141</u>
EXPENSES						
Instruction	21,718,538	20,865,114			21,718,538	20,865,114
Instruction related services	11,147,851	7,932,050			11,147,851	7,932,050
Pupil support services	7,981,580	7,394,939			7,981,580	7,394,939
General administration	8,613,432	7,552,071			8,613,432	7,552,071
Plant services	3,001,410	2,538,207			3,001,410	2,538,207
Ancillary services	239,402	249,451			239,402	249,451
Community services	1,044,795	722,806			1,044,795	722,806
Enterprise activities	9,672	5,832	2,277,438	2,083,502	2,287,110	2,089,334
Special education pass-	91,321,335	79,102,977			91,321,335	79,102,977
Total expenses	<u>145,078,015</u>	<u>126,363,447</u>	<u>2,277,438</u>	<u>2,083,502</u>	<u>147,355,453</u>	<u>128,446,949</u>
Increase in net position	<u>\$ 395,365</u>	<u>\$ 2,241,621</u>	<u>\$ 14,409</u>	<u>\$ 37,571</u>	<u>\$ 409,774</u>	<u>\$ 2,279,192</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

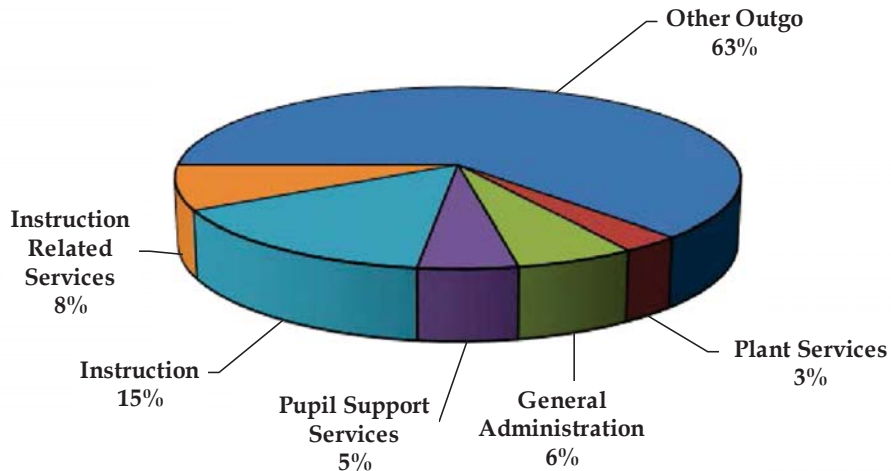
Governmental Activities

As reported in the Statement of Activities, the cost of all of the County Office governmental activities this year was \$145 million. The amount that our local taxpayers financed for these activities through property taxes was \$6.6 million. Federal and State aid not restricted to specific purposes totaled \$12.4 million. State and Federal Categorical revenue totaled over \$115 million, and covered 80 percent of the expenses of the entire County Office (See Figure 1).

**Sources of Revenue for the 2015-2016 Fiscal Year
(Figure 1)**



**Expenses for the Fiscal Year 2015-2016
(Figure 2)**



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 \$27.3 million, an increase of \$1.5 million from the previous fiscal year's combined ending balance of \$25.8 million. This increase is primarily reflected in the County School Service Fund (\$440 thousand) and the Special Education Pass-Through Fund (\$1.2 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 \$1.2 million.

The County Office ended the year with \$15.8 million in the County School Service Fund ending balance, of which \$1.4 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 2015-2016 fiscal year, the County Office had invested \$22.1 million in capital assets, including school buildings, administrative buildings, site improvements, vehicles and equipment. This amount represents an increase of \$860 thousand in equipment, including replacement of six vans and three buses for regional special education programs, a mobile dental services vehicle for countywide pupil services and various classroom technology upgrades. These increases were offset by disposals of assets and depreciation expense ending the year with capital assets net of depreciation of \$11.8 million.

EL DORADO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Capital Assets (Concluded)

(Table 3)
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2016 and 2015

	2016	2015	Difference Increase (Decrease)
Land	\$ 748,482	\$ 748,482	
Site Improvements	99,537	113,547	\$ (14,010)
Buildings	9,438,493	9,800,881	(362,388)
Machinery and Equipment	1,509,113	951,436	557,677
Work in Process		67,946	(67,946)
	\$ 11,795,625	\$ 11,682,292	\$ 113,333

Long-Term Debt

At June 30, 2016, the County Office had \$38 million in long-term debt outstanding, including the net pension liability.

(Table 4)
Comparative Schedule of Outstanding Debt
June 30, 2016 and 2015

	2016	2015
Compensated Absences	\$ 287,665	\$ 279,269
Net Pension Liability	37,823,062	29,542,537
	\$ 38,110,727	\$ 29,821,806

Amounts due to employees for vacation earned, but not yet used, represents the amount shown above in "compensated absences." These obligations are expected to be paid primarily from the County School Service Fund.

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 2016-2017 budget signifies the fourth 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 funding provided in any year is subject to economic conditions, as well as political decisions and the Legislature. While improvements in the economy have been experienced recently, the Governor and the Department of Finance continue to remind educational agencies that an economic downturn is inevitable and would negatively affect school funding.

Some County Office programs that reached their target rate funding level in two years only receive increased cost of living adjustment (COLA) funding, at 0% in 2016-2017 and projected at low levels in upcoming 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.

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. Significantly increasing employer contributions for retirement benefits, impacts of the Affordable Care Act, increased minimum wage requirements, an aging transportation fleet, 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, Deputy 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, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash (Note 2)	\$ 42,176,045	\$ 883,930	\$ 43,059,975
Accounts Receivable (Note 3)	13,262,901	137,742	13,400,643
Due From (To) Other Funds (Note 4)	222,883	(222,883)	
Stores Inventory (Note 1H)	43,511		43,511
Prepaid Expenses (Note 1H)	452,494		452,494
Other Postemployment Benefits (Note 5)	128,019		128,019
Capital Assets, Net of Depreciation (Note 6)	11,795,625		11,795,625
Total Assets	<u>68,081,478</u>	<u>798,789</u>	<u>68,880,267</u>
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)			
Deferred Outflows on Pensions	<u>7,664,523</u>	<u>539,948</u>	<u>8,204,471</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	27,520,838	180,457	27,701,295
Unearned Revenue (Note 1H)	1,327,236	29,601	1,356,837
Long-term Liabilities (Note 7)			
Due Within One Year	287,665		287,665
Due After One Year	<u>36,446,788</u>	<u>1,376,274</u>	<u>37,823,062</u>
Total Liabilities	<u>65,582,527</u>	<u>1,586,332</u>	<u>67,168,859</u>
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)			
Deferred Inflows on Pensions	<u>6,574,510</u>	<u>362,208</u>	<u>6,936,718</u>
NET POSITION			
Net Investment in Capital Assets	11,795,625		11,795,625
Restricted For:			
Capital Projects	1,495,357		1,495,357
Education Programs	11,372,135		11,372,135
Unrestricted (Deficit)	<u>(21,074,153)</u>	<u>(609,803)</u>	<u>(21,683,956)</u>
Total Net Position (Deficit)	<u>\$ 3,588,964</u>	<u>\$ (609,803)</u>	<u>\$ 2,979,161</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, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Governmental Activities</u>							
Instruction	\$ 21,718,538	\$ 562,559	\$ 14,068,036	\$ 6,389	\$ (7,081,554)		\$ (7,081,554)
Instruction-Related Services:							
Supervision of Instruction	7,905,666	166,073	6,157,271		(1,582,322)		(1,582,322)
School Site Administration	3,242,185	43,159	1,151,042		(2,047,984)		(2,047,984)
Pupil Services:							
Home-To-School Transportation	2,847,638		2,418		(2,845,220)		(2,845,220)
Food Services	331,279		306,556		(24,723)		(24,723)
All Other Pupil Services	4,802,663	150,569	3,961,045		(691,049)		(691,049)
General Administration:							
Data Processing	1,685,576		3,932		(1,681,644)		(1,681,644)
All Other General Administration	6,927,856	90,264	2,076,575		(4,761,017)		(4,761,017)
Plant Services	3,001,410	49,299	911,883		(2,040,228)		(2,040,228)
Ancillary Services	239,402				(239,402)		(239,402)
Community Services	1,044,795	163,420	756,328		(125,047)		(125,047)
Enterprise Activities	9,672		3,178		(6,494)		(6,494)
Other Outgo	91,321,335	3,341,814	86,436,314		(1,543,207)		(1,543,207)
Total Governmental Activities	145,078,015	4,567,157	115,834,578	6,389	(24,669,891)		(24,669,891)
<u>Business-Type Activities</u>							
Enterprise Activities	2,277,438	2,504,485				\$ 227,047	227,047
Total Activities	\$ 147,355,453	\$ 7,071,642	\$ 115,834,578	\$ 6,389	(24,669,891)	227,047	(24,442,844)
General Revenues:							
Property Taxes Levied For:							
General Purposes					6,577,045		6,577,045
Other Specific Purposes					21,993		21,993
Federal and State Aid Not Restricted to Specific Purposes					12,351,318		12,351,318
Interest and Investment Earnings					101,252	987	102,239
Interagency Revenues					1,351,963		1,351,963
Miscellaneous					4,438,638	9,422	4,448,060
Internal Transfers					223,047	(223,047)	0
Total General Revenues					25,065,256	(212,638)	24,852,618
Change in Net Position					395,365	14,409	409,774
Net Position Beginning (Deficit)					3,193,599	(624,212)	2,569,387
Net Position Ending (Deficit)					\$ 3,588,964	\$ (609,803)	\$ 2,979,161

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	County School Service Fund	Special Education Pass-Through Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash (Note 2)	\$ 14,833,616	\$ 23,842,950	\$ 3,499,479	\$ 42,176,045
Accounts Receivable (Note 3)	5,111,801	7,718,950	432,150	13,262,901
Due From Other Funds (Note 4)	1,368,106	1,853,924	342,625	3,564,655
Stores Inventory (Note 1H)	43,511			43,511
Prepaid Expenditures (Note 1H)	452,494			452,494
Total Assets	<u>\$ 21,809,528</u>	<u>\$ 33,415,824</u>	<u>\$ 4,274,254</u>	<u>\$ 59,499,606</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 2,947,419	\$ 24,445,519	\$ 127,900	\$ 27,520,838
Unearned Revenue (Note 1H)	899,205	212,655	215,376	1,327,236
Due to Other Funds (Note 4)	2,196,833	524,273	620,666	3,341,772
Total Liabilities	<u>6,043,457</u>	<u>25,182,447</u>	<u>963,942</u>	<u>32,189,846</u>
Fund Balances (Note 1H):				
Nonspendable	498,655			498,655
Restricted	3,114,744	8,233,377	1,499,049	12,847,170
Committed			1,728,759	1,728,759
Assigned	10,716,146		82,504	10,798,650
Unassigned	1,436,526			1,436,526
Total Fund Balances	<u>15,766,071</u>	<u>8,233,377</u>	<u>3,310,312</u>	<u>27,309,760</u>
Total Liabilities and Fund Balances	<u>\$ 21,809,528</u>	<u>\$ 33,415,824</u>	<u>\$ 4,274,254</u>	<u>\$ 59,499,606</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, 2016

Total fund balance - governmental funds \$ 27,309,760

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	\$	22,058,059	
Accumulated depreciation		(10,262,434)	
Net			11,795,625

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt.

Unamortized debt issue costs included in prepaid expense on the statement of net assets are: 128,019

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	\$	36,446,788	
Compensated absences		287,665	
Total			(36,734,453)

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	\$	7,664,523	
Deferred inflows of resources relating to pensions		(6,574,510)	
Net			1,090,013

Total net position - governmental activities \$ 3,588,964

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, 2016

	County School Service Fund	Special Education Pass-Through Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula Sources				
State Apportionments	\$ 8,642,370		\$ 156,436	\$ 8,798,806
Local Sources	7,818,668			7,818,668
Total Local Control Funding Formula Sources	16,461,038		156,436	16,617,474
Federal Revenue	8,399,459	\$ 16,026,976	1,193,809	25,620,244
Other State Revenue	12,327,941	75,785,176	2,493,955	90,607,072
Other Local Revenue	10,754,222	19,993	883,536	11,657,751
Total Revenues	47,942,660	91,832,145	4,727,736	144,502,541
EXPENDITURES				
Certificated Salaries	14,780,387		994,482	15,774,869
Classified Salaries	12,780,371		921,634	13,702,005
Employee Benefits	8,743,389		638,266	9,381,655
Books and Supplies	1,888,598		323,195	2,211,793
Services and Other Operating Expenditures	9,303,150		1,055,932	10,359,082
Capital Outlay	476,175			476,175
Other Outgo	(286,781)	90,660,980	947,136	91,321,335
Total Expenditures	47,685,289	90,660,980	4,880,645	143,226,914
Excess of Revenues Over (Under) Expenditures	257,371	1,171,165	(152,909)	1,275,627
Other Financing Sources (Uses):				
Operating Transfers In (Note 4)	367,686		185,055	552,741
Operating Transfers Out (Note 4)	(185,055)		(144,639)	(329,694)
Total Other Financing Sources	182,631	0	40,416	223,047
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	440,002	1,171,165	(112,493)	1,498,674
Fund Balances - July 1, 2015	15,326,069	7,062,212	3,422,805	25,811,086
Fund Balances - June 30, 2016	\$ 15,766,071	\$ 8,233,377	\$ 3,310,312	\$ 27,309,760

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, 2016

Net change in fund balances - total governmental funds \$ 1,498,674

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:	\$ 497,462	
	Depreciation expense:	(669,108)	
	Net:	<u> </u>	(171,646)

Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were: (67,946)

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: (1,208,176)

Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was: 362,277

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: (9,352)

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: (8,396)

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: (70)

Total change in net position - governmental activities \$ 395,365

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities:
	Enterprise Fund
ASSETS	
Current Assets	
Cash (Note 2)	\$ 883,930
Accounts Receivable (Note 3)	137,742
	1,021,672
Total Assets	1,021,672
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Outflows on Pensions	539,948
	539,948
LIABILITIES	
Current Liabilities	
Accounts Payable	180,457
Unearned Revenue (Note 1H)	29,601
Due To Other Funds (Note 4)	222,883
Net Pension Liability	1,376,274
	1,809,215
Total Liabilities	1,809,215
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Inflows on Pensions	362,208
	362,208
NET POSITION	
Unrestricted (Deficit)	(609,803)
	(609,803)
Total Net Position (Deficit)	\$ (609,803)

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, 2016

	Business-Type Activities:
	Enterprise Fund
REVENUE	
Charges for Services	\$ 2,504,485
Local Revenue	9,421
Total Operating Revenue	2,513,906
OPERATING EXPENSES	
Certificated Salaries	46,345
Classified Salaries	1,471,150
Employee Benefits	408,330
Supplies and Equipment	101,533
Other Operating Expenses	250,080
Total Operating Expenses	2,277,438
Operating Income	236,468
NON-OPERATING SOURCE (USE)	
Interest and Investment Revenue	988
Transfers Out (Note 4)	(223,047)
Total Non-Operating Sources (Uses)	(222,059)
Net Income	14,409
Total Net Position (Deficit) - July 1, 2015	(624,212)
Total Net Position (Deficit) - June 30, 2016	\$ (609,803)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Fund
Cash Flows from Operating Activities	
Cash Received from Parent Fees	\$ 2,526,740
Cash Received from Miscellaneous Sources	9,421
Cash Paid for Services and Other Operating Expenses	(2,180,635)
Net Cash Flows Provided By Operating Activities	355,526
Cash Flows from Investing Activities	
Interest Income Received	988
Transfers Out	(223,047)
Net Cash Provided (Used) by Investing Activities	(222,059)
Net Increase in Cash	133,467
Cash, July 1, 2015	750,463
Cash, June 30, 2016	\$ 883,930
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ 236,468
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Accounts Receivable	22,254
Increase in Deferred Outflows	(410,314)
Increase in Accounts Payable	54,115
Decrease in Deferred Revenue	(5,841)
Increase in Net Pension Liability	412,756
Increase in Due to Other Funds	10,973
Increase in Deferred Inflows	35,115
Total Adjustments	119,058
Net Cash Provided By Operating Activities	\$ 355,526

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust	
	<u>Scholarship Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash (Note 2)	\$ 45,550	\$ 1,698,357
Total Assets	<u>\$ 45,550</u>	<u>\$ 1,698,357</u>
LIABILITIES		
Accounts Payable		\$ 26,746
Other Accrued Liabilities		1,668,370
Due to Student Groups		<u>3,241</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,698,357</u>
NET POSITION		
Held in Trust For Other Purposes	<u>\$ 45,550</u>	<u>\$ 0</u>
Total Net Position	<u>\$ 45,550</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, 2016

	Private Purpose Trust
	Scholarship Fund
ADDITIONS	
Donations and Gifts	\$ 1,100
Interest and Investment Earnings	222
Other Revenue	5,315
Total Additions	6,637
DEDUCTIONS	
Scholarships	5,100
Other Transfers	5,486
Total Deductions	10,586
Change in Net Position (Decrease)	(3,949)
Total Net Position - July 1, 2015	49,499
Total Net Position - June 30, 2016	\$ 45,550

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, 2016

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, 2016

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, 2016

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, 2016

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, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

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, 2016

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, 2016

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 investment 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, 2016

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, 2016

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

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

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, 2016

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, 2016

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, 2016

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, 2016 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	43,511			43,511
Prepaid Expenditures	452,494			452,494
Total Nonspendable Fund Balance	<u>498,655</u>			<u>498,655</u>
Restricted For:				
Legally Restricted Categorical Funding	3,114,744		\$ 3,692	3,118,436
Modernization Expenditures			1,495,357	1,495,357
Pass-Through of Special Education Resources		\$ 8,233,377		8,233,377
Total Restricted Fund Balance	<u>3,114,744</u>	<u>8,233,377</u>	<u>1,499,049</u>	<u>12,847,170</u>
Committed For:				
Deferred Maintenance Projects			1,728,759	1,728,759
Total Committed Fund Balance	<u>0</u>	<u>0</u>	<u>1,728,759</u>	<u>1,728,759</u>
Assigned For:				
Technology Improvements/Upgrades	2,863,310			2,863,310
Adult Education Purposes			82,504	82,504
Program Carry-over	7,233,698			7,233,698
Retiree Benefits	619,138			619,138
Total Assigned Fund Balance	<u>10,716,146</u>	<u>0</u>	<u>82,504</u>	<u>10,798,650</u>
Unassigned:				
Reserve for Economic Uncertainties	1,436,526			1,436,526
Total Unassigned Fund Balance	<u>1,436,526</u>	<u>0</u>	<u>0</u>	<u>1,436,526</u>
Total Fund Balances	<u>\$ 15,766,071</u>	<u>\$ 8,233,377</u>	<u>\$ 3,310,312</u>	<u>\$ 27,309,760</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.

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.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

10. Fund Equity (Concluded)

Fund Balance Policy (Concluded)

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.

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.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles

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.

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 2016-2017.

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.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

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 applies to the County Office's federal awards received in fiscal year 2015-2016.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2016:

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
<u>\$42,176,045</u>	<u>\$883,930</u>	<u>\$43,059,975</u>	<u>\$1,743,907</u>	<u>\$44,803,882</u>

The County had the following cash at June 30, 2016:

	<u>Fair Value</u>	<u>Carrying Amount</u>
Cash in Commercial Banks	\$ 81,606	\$ 81,606
Cash in Revolving Fund	2,650	2,650
Cash in County Treasury - Governmental Funds	42,227,897	42,168,645
Cash in County Treasury - Proprietary Fund	811,454	810,315
Cash in County Treasury - Agency Funds	1,743,112	1,740,666
Total Cash	<u>\$ 44,866,719</u>	<u>\$ 44,803,882</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

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices (Concluded)

The Policy, in addition to State statues, 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.

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, 2016 the carrying amount of the County Office's accounts was \$84,256, all of which was insured.

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 \$471,382,469. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$472,044,814. 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.

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, 2016

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

Interest Rate Risk (Concluded) -

At June 30, 2016 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>\$44,782,463</u>	<u>\$32,359,808</u>	<u>\$12,422,655</u>	<u>\$ 0</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, 2016

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consist of the following:

	Governmental Funds				Proprietary Funds
	County	Special	Other	Total	Enterprise Fund
	School Service Fund	Education Pass-Through Fund	Governmental Funds		
Federal Government					
Categorical Aid Programs	\$ 2,147,751	\$ 4,647,995	\$ 78,704	\$ 6,874,450	
State Government					
Categorical Aid Programs	1,170,078	3,033,020	150,884	4,353,982	
Lottery	47,077			47,077	
Other	123,694			123,694	
Total State Government	1,340,849	3,033,020	150,884	4,524,753	
Local Government	1,064,664	37,935	85,990	1,188,589	
Miscellaneous	558,537		116,572	675,109	\$ 137,742
Total Accounts Receivable	\$ 5,111,801	\$ 7,718,950	\$ 432,150	\$ 13,262,901	\$ 137,742

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, 2016

NOTE 4 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2016 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Major Governmental Funds:</u>		
County School Service Fund	\$ 1,368,106	\$ 2,196,833
Special Education Pass-Through Fund	1,853,924	524,273
<u>Non-Major Governmental Funds:</u>		
Adult Education Fund	49	35,076
Child Development Fund	186,140	239,759
Deferred Maintenance Fund	156,436	345,831
Subtotal Governmental Funds	<u>3,564,655</u>	<u>3,341,772</u>
<u>Proprietary Funds:</u>		
Enterprise Fund		<u>222,883</u>
Total	<u>\$ 3,564,655</u>	<u>\$ 3,564,655</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 2015-2016 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Governmental Funds:</u>		
County School Service Fund	\$ 367,686	\$ 185,055
<u>Non-Major Governmental Funds:</u>		
Child Development Fund	185,055	
Forest Reserve Fund		144,639
Subtotal Governmental Funds	<u>552,741</u>	<u>329,694</u>
<u>Proprietary Funds:</u>		
Enterprise Fund		<u>223,047</u>
Total	<u>\$ 552,741</u>	<u>\$ 552,741</u>

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers (Concluded)

Transferred \$185,055 from the County School Service Fund to the Child Development Fund to supplement program and provide positive cash flow.

Transferred \$144,639 from the Forest Reserve Fund to the County School Service Fund for annual Forest Reserve allocation.

Transferred \$223,047 from the Enterprise Fund to the County School Service Fund for administrative services.

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, 2016

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, 2016

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, 2016, the amount actually contributed to the plan, and changes in the County Office's Net OPEB Asset:

<u>Item</u>	<u>June 30, 2016</u>
Annual Required Contributions	\$ 53,788
Interest on Net OPEB Asset	(6,404)
Adjustment to Annual Required Contributions	<u>12,340</u>
Annual OPEB cost (expense)	\$ 59,724
Contributions made	<u>(59,654)</u>
Increase in Net OPEB Asset	\$ (70)
Net OPEB (Asset) - beginning of year	<u>(128,089)</u>
Net OPEB (Asset) - end of year	<u>\$ (128,019)</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, 2016, June 30, 2015 and June 30, 2014 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>
6/30/16	\$59,724	\$55,654	93%	\$(128,019)
6/30/15	\$59,183	\$59,952	101%	\$(128,089)
6/30/14	\$58,856	\$55,544	94%	\$(127,320)

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, 2016

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, 2014. 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, 2016, is shown below:

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	\$ 748,482			\$ 748,482
Work in progress	67,946		\$ 67,946	
Total capital assets, not being depreciated	<u>816,428</u>		<u>67,946</u>	<u>748,482</u>
Capital assets being depreciated:				
Buildings	16,199,153			16,199,153
Improvements of sites	448,754			448,754
Equipment	4,320,139	\$ 859,739	518,208	4,661,670
Total capital assets, being depreciated	<u>20,968,046</u>	<u>859,739</u>	<u>518,208</u>	<u>21,309,577</u>
Less accumulated depreciation for:				
Buildings	6,398,272	362,388		6,760,660
Improvements of sites	335,207	14,010		349,217
Equipment	3,368,703	292,710	508,856	3,152,557
Total accumulated depreciation	<u>10,102,182</u>	<u>669,108</u>	<u>508,856</u>	<u>10,262,434</u>
Total capital assets, being depreciated, net	<u>10,865,864</u>	<u>190,631</u>	<u>9,352</u>	<u>11,047,143</u>
Governmental activities capital assets, net	<u>\$ 11,682,292</u>	<u>\$ 190,631</u>	<u>\$ 77,298</u>	<u>\$ 11,795,625</u>

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$	374,582
Home-to-School Transportation		176,325
Food Services		1,130
Pupil Services		1,042
General Administration		11,000
Data Processing Services		95,368
Plant Services		9,661
Total	\$	<u>669,108</u>

NOTE 7 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016, is shown below.

	Balance			Balance	
	July 1, 2015	Additions	Deductions	June 30, 2016	Due Within One Year
<u>Governmental Activities</u>					
Compensated Absences	\$ 279,269	\$ 8,396		\$ 287,665	\$ 287,665
Net Pension Liability	28,579,019	7,867,769		36,446,788	
Subtotals	28,858,288	7,876,165	\$ 0	36,734,453	287,665
<u>Proprietary Fund Activities</u>					
Net Pension Liability	963,518	412,756		1,376,274	
Totals	<u>\$ 29,821,806</u>	<u>\$ 8,288,921</u>	<u>\$ 0</u>	<u>\$ 38,110,727</u>	<u>\$ 287,665</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 State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

A. State Teachers' Retirement System (STRS)

Plan Description. The El Dorado County Office of Education contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The 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.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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 El Dorado County Office of Education 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%, for fiscal year 2014-2015 was 8.88%, and for fiscal year 2015-2016 was 10.73% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.95% and for fiscal year 2015-2016 the rate was 7.39%. The El Dorado County Office of Education's contributions to STRS for the fiscal years ending June 30, 2016 and 2015 were \$1,522,621 and \$1,198,458, respectively, and equal 100% of the required contributions for each year.

Contribution by County Office	\$1,522,621
Contribution by State	<u>893,062</u>
Total Contribution in 2015-2016	<u>\$2,415,683</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the County Office reported a liability of \$19,760,754 for its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2015, 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, 2014. 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, 2015, the County Office's proportion of contributions was 0.0294 percent.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 (Concluded). The County Office's proportionate share of the net pension liability for the plan on the measurement dates of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	\$16,362,360
Proportion - June 30, 2015	<u>19,760,754</u>
Change - Increase	<u>\$ 3,398,394</u>

For the year ended June 30, 2016, the County Office recognized pension expense of \$2,125,663 included the State's required on-behalf contribution. At June 30, 2016, 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		\$ 330,207
Changes in Assumptions		
Net difference between projected and actual earnings on pension plan investments		1,610,823
Changes in proportion and differences between County Office contributions and proportionate share of contributions	\$ 794,452	13,086
County Office contributions subsequent to measurement date of June 30, 2015	<u>1,522,621</u>	
Totals	<u>\$ 2,317,073</u>	<u>\$ 1,954,116</u>

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pension will be recognized as increases or decreases respectively in pension expense as follows:

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2017	\$132,409	\$ 594,157
June 30, 2018	132,409	594,157
June 30, 2019	132,409	594,157
June 30, 2020	132,409	57,215
June 30, 2021	132,408	57,215
June 30, 2022	<u>132,408</u>	<u>57,215</u>
Total	<u>\$794,452</u>	<u>\$1,954,116</u>

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, 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, 2016

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%)	\$ 57,114,792
2% Decrease (5.60%)	\$ 42,145,194
1% Decrease (6.60%)	\$ 29,886,276
Current Discount Rate (7.60%)	\$ 19,760,754
1% Increase (8.60%)	\$ 11,405,142
2% Increase (9.60%)	\$ 4,374,426
3% Increase (10.60%)	\$ (1,544,088)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The El Dorado County Office of Education contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Funding Policy. Active plan members were required to contribute 6.974% of their salary and the El Dorado County Office of Education is 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. The required employer contribution rates on annual payroll for the fiscal years listed were:

2013-2014	11.442%
2014-2015	11.771%
2015-2016	11.847%

The contribution requirements of the plan members are established by State statute. The El Dorado County Office of Education's employer contributions to CalPERS for the fiscal year ending June 30, 2016 and 2015 were \$1,700,413 and \$1,725,427, respectively and equal 100% of the required contributions for each year.

Benefits. PERS 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, 2016, the County Office reported a liability of \$18,062,308 for its proportionate share of the net pension liability for PERS. The net pension liability was measured as of June 30, 2015, 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, 2014. 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, 2015, the County Office's proportion of contributions was 0.1226 percent.

The County Office's proportionate share of the net pension liability for the plan on the measurement dates of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	\$13,180,177
Proportion - June 30, 2015	<u>18,062,308</u>
Change - Increase	<u>\$ 4,882,131</u>

For the year ended June 30, 2016, the County Office recognized pension expense of \$2,741,452. At June 30, 2016, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience \$	1,033,000	
Changes in Assumptions		\$ 1,109,799
Net difference between projected and actual earnings on pension plan investments	2,966,000	3,585,011
Changes in proportion and differences between County Office contributions and proportionate share of contributions	187,931	287,793
County Office contributions subsequent to measurement date of June 30, 2015	<u>1,700,467</u>	
Totals	<u>\$ 5,887,398</u>	<u>\$ 4,982,603</u>

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to PERS pensions and deferred inflows of resources related to PERS pensions will be recognized as increases or decreases respectively in pension expense as follows:

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2017	\$1,148,477	\$1,660,868
June 30, 2018	1,148,477	1,660,868
June 30, 2019	1,148,477	1,660,867
June 30, 2020	<u>741,500</u>	<u>0</u>
Total	<u>\$4,186,931</u>	<u>\$4,982,603</u>

Actuarial Assumptions. For the year ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 2015 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	7.65%
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

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Actuarial Assumptions (Concluded). PERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Change in Assumptions. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 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, 2015, calculated using the discount rate of 7.65 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

<u>Discount Rate</u>	<u>Plan's Net Pension Liability</u>
1% Decrease (6.65%)	\$ 29,412,645
Current Discount Rate (7.65%)	\$ 18,062,308
1% Increase (8.65%)	\$ 8,640,324

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 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.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

Discount Rate (Concluded)

<u>New Strategic Asset Class</u>	<u>Real Return Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Years 11+²</u>
Global Equity	51%	7.2%	5.71%
Global Fixed Income	20%	5.3%	2.43%
Inflation Sensitive	6%	0.0%	3.36%
Private Equity	10%	6.9%	6.95%
Real Estate	12%	8.7%	5.13%
Cash/Liquidity	1%	2.3%	(1.05)%

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

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

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.

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, 2016.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 2015-2016 totaled \$64,270.

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 2015-2016 was \$121,120.

EL DORADO COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016.

<u>Year Ended June 30</u>	<u>Future Minimum Rent Payments</u>
2017	\$ 172,935
2018	144,117
2019	140,768
2020	30,119
2021	<u>1,161</u>
Total	<u>\$ 489,100</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, 2016, 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 2016, 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, 2016

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 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, 2016

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Control Funding Formula Sources:				
State Apportionments	\$ 9,324,460	\$ 8,921,062	\$ 8,642,370	\$ (278,692)
Local Sources	<u>7,158,699</u>	<u>7,720,053</u>	<u>7,818,668</u>	<u>98,615</u>
Total Local Control Funding Formula Sources	16,483,159	16,641,115	16,461,038	(180,077)
Federal Revenue	7,952,400	8,318,300	8,399,459	81,159
Other State Revenue	8,600,877	11,465,376	12,327,941	862,565
Other Local Revenue	<u>10,420,116</u>	<u>10,334,501</u>	<u>10,754,222</u>	<u>419,721</u>
Total Revenues	<u>43,456,552</u>	<u>46,759,292</u>	<u>47,942,660</u>	<u>1,183,368</u>
EXPENDITURES				
Certificated Salaries	14,370,205	14,780,626	14,780,387	239
Classified Salaries	12,444,602	12,780,654	12,780,371	283
Employee Benefits	8,132,531	8,784,172	8,743,389	40,783
Books and Supplies	2,027,950	2,170,645	1,888,598	282,047
Services and Other				
Operating Expenditures	7,895,730	9,303,343	9,303,150	193
Capital Outlay	208,204	602,021	476,175	125,846
Other Outgo	<u>(240,831)</u>	<u>(286,331)</u>	<u>(286,781)</u>	<u>450</u>
Total Expenditures	<u>44,838,391</u>	<u>48,135,130</u>	<u>47,685,289</u>	<u>449,841</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,381,839)</u>	<u>(1,375,838)</u>	<u>257,371</u>	<u>1,633,209</u>
Other Financing Sources (Uses):				
Operating Transfers In	384,669	368,096	367,686	(410)
Operating Transfers Out	<u>(625,828)</u>	<u>(199,895)</u>	<u>(185,055)</u>	<u>14,840</u>
Total Other Financing Sources (Uses)	<u>(241,159)</u>	<u>168,201</u>	<u>182,631</u>	<u>14,430</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,622,998)	(1,207,637)	440,002	1,647,639
Fund Balances - July 1, 2015	<u>12,995,603</u>	<u>15,326,069</u>	<u>15,326,069</u>	<u>0</u>
Fund Balances - June 30, 2016	<u>\$ 11,372,605</u>	<u>\$ 14,118,432</u>	<u>\$ 15,766,071</u>	<u>\$ 1,647,639</u>

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, 2016

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Federal Revenue	\$ 16,327,291	\$ 16,311,275	\$ 16,026,976	\$ (284,299)
Other State Revenue	72,187,785	75,751,570	75,785,176	33,606
Other Local Revenue	9,500	4,600	19,993	15,393
Total Revenues	88,524,576	92,067,445	91,832,145	(235,300)
EXPENDITURES				
Other Outgo	89,826,429	91,867,566	90,660,980	1,206,586
Total Expenditures	89,826,429	91,867,566	90,660,980	1,206,586
Excess of Revenues Over (Under) Expenditures	(1,301,853)	199,879	1,171,165	971,286
Fund Balances - July 1, 2015	5,078,995	7,062,212	7,062,212	0
Fund Balances - June 30, 2016	<u>\$ 3,777,142</u>	<u>\$ 7,262,091</u>	<u>\$ 8,233,377</u>	<u>\$ 971,286</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, 2016

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
6/30/14	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%
6/30/16	July 1, 2013	\$ -	\$ 448,270	\$ 448,270	0%	\$ 1,011,630	44%

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, 2016

California State Teachers' Retirement System (CalSTRS)

	2016	2015
District's proportion of the net pension liability	0.0294%	0.0280%
District's proportionate share of the net pension liability	\$ 19,760,754	\$ 16,362,360
District's covered-employee payroll	\$ 13,496,148	\$ 13,512,958
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146%	121%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%

Public Employee Retirement System (CalPERS)

District's proportion of the net pension liability	0.1226%	0.1161%
District's proportionate share of the net pension liability	\$ 18,062,308	\$ 13,180,177
District's covered-employee payroll	\$ 14,658,287	\$ 13,078,168
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	123%	101%
Plan fiduciary net position as a percentage of the total pension liability	79%	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, 2016

California State Teachers' Retirement System (CalSTRS)

	2016	2015
Contractually required contribution	\$ 1,198,458	\$ 1,114,819
Contributions in relation to the contractually required contribution	1,209,768	1,114,819
Contribution deficiency (excess)	\$ (11,310)	\$ 0
District's covered-employee payroll	\$ 13,496,148	\$ 13,512,958
Contributions as a percentage of covered-employee payroll	8.880%	8.250%

Public Employee Retirement System (CalPERS)

Contractually required contribution	\$ 1,725,427	\$ 1,496,404
Contributions in relation to the contractually required contribution	1,596,876	1,496,404
Contribution deficiency (excess)	\$ 128,551	\$ 0
District's covered-employee payroll	\$ 14,658,287	\$ 13,078,168
Contributions as a percentage of covered-employee payroll	11.771%	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, 2016

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. 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. 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, 2016

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>
Rich Fischer	President	November, 2016
Georgianne Knight	Vice President	November, 2018
Debbie Akin	Member	November, 2016
John Lane	Member	November, 2018
Heidi Weiland	Member	November, 2018

ADMINISTRATION

Ed Manansala, Ed. D.
Superintendent

Robbie Montalbano
Deputy Superintendent
Administrative Services

Kevin Monsma
Associate Superintendent
Educational Services

Diane Lacombe
Senior Director, Internal Business Services

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OPERATED PROGRAMS

	Second Period Report	Annual Report
Special Education - Special Day Class		
Transitional Kindergarten through Third	41	41
Fourth through Sixth	23	23
Seventh and Eighth	28	28
Ninth through Twelfth	63	63
Special Education - Nonpublic, Nonsectarian Schools		
Transitional Kindergarten through Third	0	1
Fourth through Sixth	4	3
Seventh and Eighth	3	4
Ninth through Twelfth	5	5
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	5	6
Juvenile Halls, Homes and Camp		
Elementary	3	2
High School	32	35
	214	218
ADA Totals	214	218

CHARTER ALTERNATIVE PROGRAM

	Second Period Report	Annual Report
County Community Schools		
Transitional Kindergarten through Third	45	46
Fourth through Sixth	63	64
Seventh and Eighth	44	44
Probation Referred, On Probation or Parole, Expelled		
Elementary	15	14
	167	168
ADA Totals	167	168
Classroom-based ADA Totals	0	0

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONCLUDED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

RITE OF PASSAGE

	Second Period Report	Annual Report
Juvenile Halls, Homes and Camp		
High school	172	182
Classroom-based ADA for High School	172	182
ADA Totals	172	182
Classroom-based ADA Totals	172	182

CHARTER COMMUNITY SCHOOL HOME STUDY ACADEMY

	Second Period Report	Annual Report
County Community Schools		
Transitional Kindergarten through Third	4	5
Classroom-based ADA for TK through Third	4	5
Fourth through Sixth	4	4
Classroom-based ADA for Fourth and Fifth	4	4
Seventh and Eighth	73	72
Classroom-based ADA for Seventh and Eighth	0	0
Ninth through Twelfth	123	123
Classroom-based ADA for Ninth through Twelfth	2	2
Probation Referred, On Probation or Parole, Expelled		
Elementary	62	58
Classroom-based ADA for Elementary	62	58
High school	198	188
Classroom-based ADA for High School	95	88
ADA Totals	464	450
Classroom-based ADA Totals	167	157

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, 2016

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015-2016 Actual Minutes</u>	<u>Days Traditional Calendar</u>	<u>Status</u>
Charter School:				
Rite of Passage				
Grade 9	64,800	80,320	251	In Compliance
Grade 10	64,800	80,320	251	In Compliance
Grade 11	64,800	80,320	251	In Compliance
Grade 12	64,800	80,320	251	In Compliance
Charter County Community School				
Kindergarten	36,000	54,000	180	In Compliance
Grade 1	50,400	54,000	180	In Compliance
Grade 2	50,400	54,000	180	In Compliance
Grade 3	50,400	54,000	180	In Compliance
Grade 4	54,000	54,000	180	In Compliance
Grade 5	54,000	54,000	180	In Compliance
Grade 6	54,000	54,000	180	In Compliance
Grade 7	54,000	64,800	180	In Compliance
Grade 8	54,000	64,800	180	In Compliance
Grade 9	64,800	64,800	180	In Compliance
Grade 10	64,800	64,800	180	In Compliance
Grade 11	64,800	64,800	180	In Compliance
Grade 12	64,800	64,800	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 2015-2016 school year.

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The County Office operated three charter schools during 2015-2016 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 2015-2016.

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

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Program Expenditures
U.S. Department of Agriculture:				
Forest Reserve Funds	10.665	10044	\$ 647,304	\$ 791,648
Passed through the California Department of Education (CDE):				
Child Nutrition Cluster:				
National School Lunch (Sec 4 and Sec 11)	10.555	13523/13524		22,592
School Breakfast Needy	10.553	13526		10,974
Subtotal Child Nutrition Cluster				<u>33,566</u>
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13529		267,565
CCFP Cash in Lieu of Commodities	10.558	13534		12,178
Subtotal Child and Adult Care Food Program Cluster				<u>279,743</u>
Total U.S. Department of Agriculture			<u>647,304</u>	<u>1,104,957</u>
US. Department of Education:				
Indian Education	84.060*	10011		<u>218,356</u>
Passed through CDE:				
Title I Cluster:				
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010*	14329		268,117
NCLB: Title I, Part D, Local Delinquent Programs	84.010*	14357		571,931
Subtotal Title I Cluster				<u>840,048</u>
Special Education Cluster:				
IDEA: Basic Local Assistance, Part B, Section 611	84.027*	13379	14,752,355	16,433,188
IDEA: Local Assistance, Part B, Section 611, Private Schools ISPs	84.027*	10115		17,239
IDEA: Preschool Local Entitlements Part B, Section 611	84.027A*	13682		197,885
IDEA: Mental Health Allocation Plan, Part B, Section 611	84.027A*	14468	1,274,621	1,393,611
IDEA: Preschool Grants	84.173*	13430		116,163
IDEA, Preschool Staff Development Grants, Part B, Sec. 619	84.173A*	13431		1,087
IDEA: Alternative Dispute Resolution, Part B, Sec 611	84.173A*	13007		14,976
Subtotal Special Education Cluster			<u>16,026,976</u>	<u>18,174,149</u>
IDEA: Early Intervention Grants, Part C	84.181	23761		42,634
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346		49,742
NCLB: Title II, Part A, Teacher Quality	84.367	14341		7,754
NCLB: Title X, McKinney-Vento Homeless Assistance	84.196	14332		76,095
Total U.S. Department of Education			<u>16,026,976</u>	<u>19,408,778</u>
U.S. Department of Health and Human Services:				
Head Start	93.600	N/A		<u>4,386,653</u>
Passed through California Department of Health Care Services:				
Title XIX Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013		419,541
Medical Assistance Program (MAA)	93.778	10060		211,463
Subtotal Title XIX, Medicaid Cluster				<u>631,004</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Federal Catalog Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Program Expenditures
U.S. Department of Health and Human Services:				
Passed through CDE:				
Child Care and Development Block Grant Cluster:				
Child Development: Quality Improvement - Child Care Staff Retention Program (AB 212) (CRET)	93.575	14988/14989		35,919
Child Development: Quality Improvement Activities (Contract Prefix CIMS)	93.575	14869/ 14868		2,954
Child Development: Local Planning Councils	93.575	13946		49,979
Subtotal Child Care and Development Block Grant Cluster				88,852
Total U.S. Department of Health and Human Services			0	5,106,509
Total Federal Programs			\$ 16,674,280	\$ 25,620,244

* Considered a major program.

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION
RECONCILIATION OF UNAUDITED ACTUAL
FINANCIAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	County School Service Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Enterprise Fund
June 30, 2016, Annual Unaudited Actual Financial Report Fund Balance/Net Position	\$ 15,146,933	\$ 619,138	\$ 588,731
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.	619,138	(619,138)	
Understatement of 2015-2016 employee benefits expense relating to the County Office of Education's share of unfunded STRS & PERS liabilities.			(1,198,534)
Net Adjustments and Reclassifications	619,138	(619,138)	(1,198,534)
June 30, 2016, Audited Financial Statement Fund Balance/Net Position (Deficit)	\$ 15,766,071	\$ 0	\$ (609,803)

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, 2016.

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>County School Service Fund</u>	<u>Budget 2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>
Revenues and Other Financial Sources	\$ 48,911,644	\$ 48,310,346	\$ 44,181,296	\$ 39,145,630
Expenditures	48,575,031	47,685,289	43,424,867	38,475,086
Other Uses and Transfers Out	445,025	185,055	353,388	15,514
Total Outgo	49,020,056	47,870,344	43,778,255	38,490,600
Change in Fund Balance (Deficit)	(108,412)	440,002	403,041	655,030
Ending Fund Balance	\$ 15,500,336	\$ 15,766,071	\$ 15,326,069	\$ 14,923,028
Available Reserves	\$ 1,471,018	\$ 1,436,526	\$ 1,311,550	\$ 3,984,272
Reserve for Economic Uncertainties	\$ 1,471,018	\$ 1,436,526	\$ 1,311,550	\$ 3,984,272
Available Reserves as a Percentage of Total Outgo	3.0%	3.0%	3.0%	10.4%
Total Long-Term Debt	\$ 37,823,062	\$ 38,110,727	\$ 29,822,806	\$ 36,876,896
Average Daily Attendance at P-2	1,051	1,017	1,065	1,083

The County School Service Fund balance has increased \$1,498,073 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 66 during the past two years.

The County Office's share of the unfunded STRS and PERS liabilities, reported as long-term debt increased \$8.3 million in 2015-2016.

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF FIRST 5 CALIFORNIA (F5CA) FUNDING
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Program</u>	<u>Source</u>	<u>Revenue F5CA Funds</u>	<u>Expenditures</u>	<u>Change in Net Assets</u>	<u>Net Assets July 1, 2015</u>	<u>Net Assets June 30, 2016</u>
CARES Plus Program, Phase II	F5CA Program Funds	\$ 39,509	\$ 39,509	\$ 0	\$ 0	\$ 0

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

SEE NOTES TO SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION
 COMBINING BALANCE SHEET
 NON-MAJOR FUNDS
 JUNE 30, 2016

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	County School Facilities Fund	Total Non-Major Governmental Funds
ASSETS						
Cash	\$ 33,070	\$ 52,429	\$ 1,918,154	\$ 469	\$ 1,495,357	\$ 3,499,479
Accounts Receivable	99,074	333,076				432,150
Due From Other Funds	49	186,140	156,436			342,625
Total Assets	<u>\$ 132,193</u>	<u>\$ 571,645</u>	<u>\$ 2,074,590</u>	<u>\$ 469</u>	<u>\$ 1,495,357</u>	<u>\$ 4,274,254</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 14,613	\$ 113,287				\$ 127,900
Unearned Revenue		215,376				215,376
Due to Other Funds	35,076	239,759	\$ 345,831			620,666
Total Liabilities	<u>49,689</u>	<u>568,422</u>	<u>345,831</u>			<u>963,942</u>
Fund Balances:						
Restricted		3,223		\$ 469	\$ 1,495,357	1,499,049
Committed			1,728,759			1,728,759
Assigned	82,504					82,504
Total Fund Balances	<u>82,504</u>	<u>3,223</u>	<u>1,728,759</u>	<u>469</u>	<u>1,495,357</u>	<u>3,310,312</u>
Total Liabilities and Fund Balances	<u>\$ 132,193</u>	<u>\$ 571,645</u>	<u>\$ 2,074,590</u>	<u>\$ 469</u>	<u>\$ 1,495,357</u>	<u>\$ 4,274,254</u>

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, 2016

	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
Federal Revenue		\$ 402,161		\$ 791,648		1,193,809
Other State Revenue	\$ 235,081	2,258,874				2,493,955
Other Local Revenue	269,332	599,188	8,158	469	\$ 6,389	883,536
Total Revenues	504,413	3,260,223	164,594	792,117	6,389	4,727,736
EXPENDITURES						
Certificated Salaries	231,898	762,584				994,482
Classified Salaries	56,091	865,543				921,634
Employee Benefits	64,421	573,845				638,266
Books and Supplies	5,919	317,276				323,195
Services and Other						
Operating Expenditures	29,742	680,359	345,831			1,055,932
Other Outgo	33,838	265,993		647,305		947,136
Total Expenditures	421,909	3,465,600	345,831	647,305	0	4,880,645
Excess of Revenues Over (Under) Expenditures	82,504	(205,377)	(181,237)	144,812	6,389	(152,909)
Other Financing Sources						
Operating Transfers In		185,055				185,055
Operating Transfers Out				(144,639)		(144,639)
Total Other Financing Sources (Uses)	0	185,055	0	(144,639)	0	40,416
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	82,504	(20,322)	(181,237)	173	6,389	(112,493)
Fund Balances - July 1, 2015	0	23,545	1,909,996	296	1,488,968	3,422,805
Fund Balances - June 30, 2016	<u>\$ 82,504</u>	<u>\$ 3,223</u>	<u>\$ 1,728,759</u>	<u>\$ 469</u>	<u>\$ 1,495,357</u>	<u>\$ 3,310,312</u>

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, 2016

	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	\$ 2,521	\$ 3,446	\$ 4,695	\$ 1,272
LIABILITIES				
Due to Student Groups	\$ 2,521	\$ 3,446	\$ 4,695	\$ 1,272
<u>PAYROLL REVOLVING FUND</u>				
ASSETS				
Cash in County Treasury	\$ 1,489,938	\$ 225,882,622	\$ 225,704,190	\$ 1,668,370
LIABILITIES				
Payroll Payables	\$ 1,489,938	\$ 225,882,622	\$ 225,704,190	\$ 1,668,370
<u>ACCOUNTS PAYABLE REVOLVING FUND</u>				
ASSETS				
Cash in County Treasury	\$ 7,064	\$ 219,964,447	\$ 219,944,765	\$ 26,746
LIABILITIES				
Accounts Payable	\$ 7,064	\$ 219,964,447	\$ 219,944,765	\$ 26,746
<u>TOTAL - FIDUCIARY FUNDS</u>				
ASSETS				
Cash in County Treasury	\$ 1,497,002	\$ 445,847,069	\$ 445,648,955	\$ 1,695,116
Cash on Hand and in Bank	4,490	3,446	4,695	3,241
Total Assets	\$ 1,501,492	\$ 445,850,515	\$ 445,653,650	\$ 1,698,357
LIABILITIES				
Accounts Payable	\$ 7,064	\$ 219,964,447	\$ 219,944,765	\$ 26,746
Payroll Payables	1,489,938	225,882,622	225,704,190	1,668,370
Due to Student Groups	4,490	3,446	4,695	3,241
Total Liabilities	\$ 1,501,492	\$ 445,850,515	\$ 445,653,650	\$ 1,698,357

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, 2016

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 District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The District has not used the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2016, 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 December 12, 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 severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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
Certified Public Accountants

December 12, 2016



JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and terms and conditions of federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001, to be a significant deficiency.

El Dorado County Office of Education's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

December 12, 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 *2015-2016 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, 2016.

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 *2015-2016 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 (MOE)	Not Applicable
School Districts, County Office of Education and Charter Schools:	
Educator Effectiveness	Not Applicable
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Not Applicable
Charter Schools:	
Attendance (Charter Schools)	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	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 of Education 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, 2016.

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 *2015-2016 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

December 12, 2016

FINDINGS AND QUESTIONED COSTS SECTION

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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>
84.060	Indian Education
84.010	Title I Cluster
84.027, 84.027A, 84.173	Special Education Cluster
84.173A	

Dollar threshold used to distinguish between Type A and Type B programs: \$768,600

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: Unmodified

EL DORADO COUNTY OFFICE OF EDUCATION

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

Section II - Financial Statements Findings

No matters are reported.

Section III - Federal Award Findings and Questioned Costs

2016 - 001 - PERSONNEL ACTIVITY REPORTS - 50000

Federal Agency: Department of Education
Pass-Through Entity: California Department of Education
Federal Program: Title I Cluster; Special Education Cluster; Indian Education
CFDA Number: 84.010; 84.027, 84.027A, 84.173, 84.173A; 84.060

Criteria: Office of Management and Budget (OMB) Circular A-87 states that if employees are paid with federal funds, they must maintain Personnel Activity Reports (PARS) that identify the specific federal program on which individuals worked for a certain percentage of time. Employees working solely on a federal program are generally required to maintain periodic certifications, in which the employee or supervisor attest every six months that the employee worked on a single federal program. Employees working on multiple federal programs (or federal and non-federal programs) are required to maintain monthly personnel activity reports.

Statement of Condition: The County Office of Education obtained PARS for single-funded employees covering July 1, 2015-December 31, 2015 and January 1, 2016-June 30, 2016. The PARS for January 1, 2016-June 30, 2016 were not all obtained at time of audit field work on November 7, 2016. PARS that were on file were signed by the supervisor in October 2016, after the books were closed for 2015-2016.

Questioned Costs: We were able to satisfy ourselves all employee time charged to the programs were allowable. There are no questioned costs as a result of this finding.

Cause: The County Office did not collect timely prepared PARS for January 1, 2016 to June 30, 2016.

Effect or Potential Effect: By not obtaining and retaining Personnel Activity Reports, it is difficult for the County Office to document the employee time charged is an allowable program expense.

Recommendation: The County Office should be obtaining semi-annual PARS for employees funded under a single program. All PARS should be collected prior to finalizing year-end program accounting. The program expenses should be adjusted for any conflicts between the PARS and the posting of employee costs to a program.

View of Responsible Official: We agree that semi-annual PARS for employees funded under a single program should be collected prior to finalizing year-end program accounting and program expenses should be adjusted for any conflicts between the PARS and the posting of employee costs to a program. We have adjusted our process for completion of the semi-annual PARS to be completed in time to review and adjust program expenses for identified conflicts before finalizing year-end program accounting.

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

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, 2016

2015 – 001: A review system should be set up adding an extra verification of pay for employees with one-time or unique calculations occurring. Additionally, the County Office should make payments to employees who were underpaid and make arrangements to recover the overpayments from employees that were overpaid.

Current Status:

Accepted

Partially Implemented

Explanation if not Fully Implemented: Payments were made to employees who were underpaid. The County Office is continuing to improve the review system we have implemented that provides for secondary verifications of one-time and unique calculations and have made payments to employees who were underpaid. Comment not repeated.