

**EL DORADO COUNTY OFFICE OF EDUCATION**

**FINANCIAL STATEMENTS**

June 30, 2017

EL DORADO COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017

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EL DORADO COUNTY OFFICE OF EDUCATION

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## 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, the 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, 2017, and the related notes to the financial statements, which collectively comprise 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 El Dorado County Office of Education, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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(Continued)

## **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 4 to 11 and the Required Supplementary Information, such as the County School Service Fund Budgetary Comparison Schedule, Special Education Pass-Through Fund Budgetary Comparison Schedule, Schedule of Other Postemployment Benefits (OPEB) Funding Progress, Schedule of the Office of Education's Proportionate Share of the Net Pension Liability, and Schedule of the Office of Education's Contributions on pages 46 to 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise El Dorado County Office of Education's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents 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, except for the Schedule of Financial Trends and Analysis, 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 Schedule of Expenditure of Federal Awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of El Dorado County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 14, 2017

**EL DORADO COUNTY OFFICE OF EDUCATION  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017**

The management 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, 2017. 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 County Office's financial statements along with the notes to these statements.

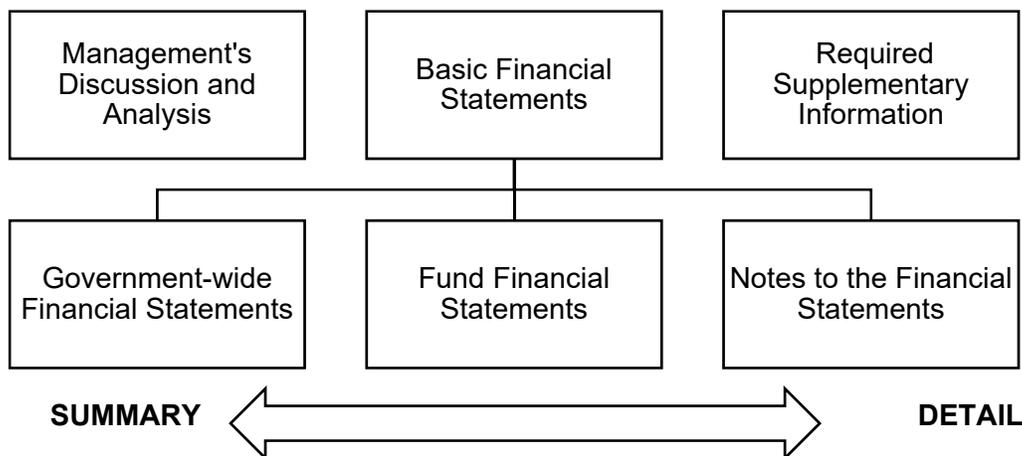
**FINANCIAL HIGHLIGHTS**

- The County Office's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$3.2 million.
- Governmental expenses were about \$154.0 million. Revenues were about \$157.1 million.
- The County Office acquired over \$700 thousand in new capital assets during the year. These expenditures were incurred primarily in the home-to-school transportation program.
- The County Office increased its outstanding long-term debt by \$8.8 million. This was primarily due to the net pension liability.
- Average daily attendance (ADA) increased by 65, or 6%.

**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. The basic financial statements include two *county-wide financial statements* 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 in the *fund financial statements*. 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.

**Components of the Financial Section**



## **Government-wide Financial Statements**

The first two statements are *government-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements present both an aggregate view of the County Office's finances and a longer term view of those finances using accounting methods similar to those used by private-sector companies. The accrual 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 2016-2017?"

The Statement of Net Position includes all of the County Office's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these elements as net position. 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.

The Statement of Activities reports revenues, expenses and changes in the net position during the most recent fiscal year. This change in net position is important because it tells the reader that, for the County Office as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. One must consider many other nonfinancial factors, such as the quality of education provided, condition of school buildings, and the safety of the schools to assess the overall health of the County Office.

In the government-wide financial statements, the County Office's activities are categorized as *Governmental Activities*. Most of the County Office's basic services are included here, such as alternative education, special education, and administration. Federal and state categorical revenue finance most of these activities. The County Office's fee-based before and after school program is reported as *Business-Type Activities*.

## **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 groups of related accounts that 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, others are established by the County Office to control and manage money for specific purposes. 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 funds of the County Office can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### *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 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 fine arts 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.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

**Net Position**

The County Office's net position was higher on June 30, 2017 than it was the year before, increasing 88% to \$6.8 million (see Table 1). The increase is primarily a result of changes in net pension liabilities and deferred outflows and inflows on pensions. The unrestricted net position was a deficit \$16.9 million.

**Table 1  
Comparative Statement of Net Position**

	Governmental Activities			Business-Type Activities		
	2017	2016	Net Change	2017	2016	Net Change
<b>Assets</b>						
Current and other assets	\$39,115,654	\$56,285,853	\$(17,170,199)	\$ 883,595	\$ 798,789	\$ 84,806
Capital assets	11,798,778	11,795,625	3,153			-
Total assets	50,914,432	68,081,478	(17,167,046)	883,595	798,789	84,806
<b>Deferred outflows of resources</b>						
Deferred outflows on pensions	14,045,588	7,664,523	6,381,065	726,866	539,948	186,918
<b>Liabilities</b>						
Current liabilities	12,105,872	28,848,074	(16,742,202)	215,213	210,058	5,155
Long-term liabilities	44,823,655	36,734,453	8,089,202	2,096,731	1,376,274	720,457
Total liabilities	56,929,527	65,582,527	(8,653,000)	2,311,944	1,586,332	725,612
<b>Deferred inflows of resources</b>						
Deferred inflows on pensions	1,269,501	6,574,510	(5,305,009)	68,499	362,208	(293,709)
<b>Net position</b>						
Net investment in capital assets	11,798,778	11,795,625	3,153			
Restricted	11,898,421	12,867,492	(969,071)			
Unrestricted	(16,936,207)	(21,074,153)	4,137,946	(769,982)	(609,803)	(160,179)
Total net position	\$ 6,760,992	\$ 3,588,964	\$ 3,172,028	\$ (769,982)	\$ (609,803)	\$ (160,179)

### Changes in net position, governmental activities

The County Office's total revenues increased 8% to \$157.1 million and expenses increased 6% to \$154.0 million (see Table 2).

**Table 2**  
**Comparative Statement of Change in Net Position**

	Governmental Activities			Business-Type Activities		
	2017	2016	Net Change	2017	2016	Net Change
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,044,903	\$ 4,567,157	\$ (522,254)	\$ 2,720,193	\$ 2,504,485	\$ 215,708
Operating grants and contributions	128,699,877	115,834,578	12,865,299	5,500		5,500
Capital grants and contributions	(917,220)	6,389	(923,609)			
Total program revenues	131,827,560	120,408,124	11,419,436	2,725,693	2,504,485	221,208
General revenues:						
Property taxes	7,038,676	6,599,038	439,638			
Federal and state aid - unrestricted	11,930,563	12,351,318	(420,755)			
Other	6,352,095	6,114,900	237,195	3,052	(212,638)	215,690
Total general revenues	25,321,334	25,065,256	256,078	3,052	(212,638)	215,690
Total revenues	157,148,894	145,473,380	11,675,514	2,728,745	2,291,847	436,898
<b>Expenses</b>						
Instruction	19,608,742	21,718,538	(2,109,796)			
Instruction-related services	8,977,778	11,147,851	(2,170,073)			
Pupil services	7,202,923	7,981,580	(778,657)			
General administration	7,092,582	8,613,432	(1,520,850)			
Plant services	2,935,306	3,001,410	(66,104)			
Ancillary services	264,489	239,402	25,087			
Community services	1,291,733	1,044,795	246,938			
Enterprise activities	(110,015)	9,672	(119,687)	2,888,924	2,277,438	611,486
Other outgo	106,713,328	91,321,335	15,391,993			
Total expenses	153,976,866	145,078,015	8,898,851	2,888,924	2,277,438	611,486
Increase in net position	\$ 3,172,028	\$ 395,365	\$ 2,776,663	\$ (160,179)	\$ 14,409	\$ (174,588)

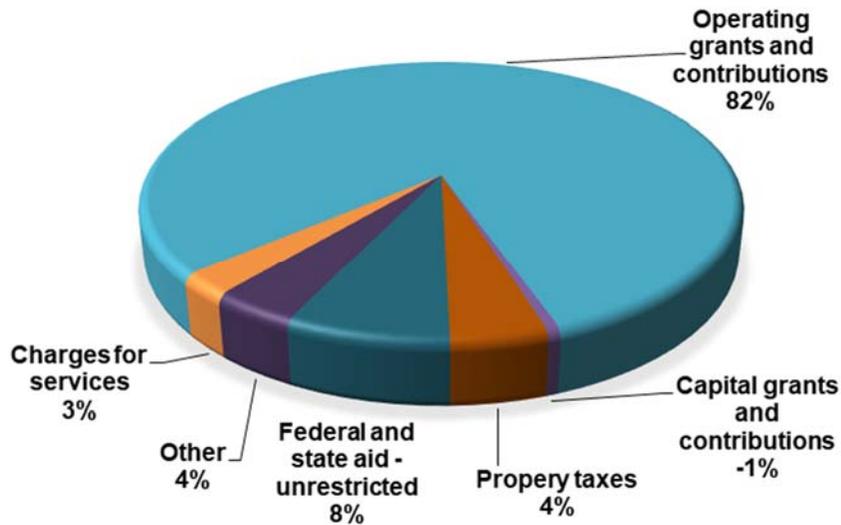
The most significant changes resulted from the following:

- A \$14.2 million increase in Special Education Local Plan Area (SELPA) pass-through revenues and a \$15.7 million increase in transfers of SELPA pass-through revenues to districts or charter schools.
- A decrease of \$1.9 million for one-time Career Technical Incentive Education Grant funds received and expensed in the prior year.
- A decrease of \$920 thousand in revenue to return excess facilities project funding to the state.

### Governmental Activities

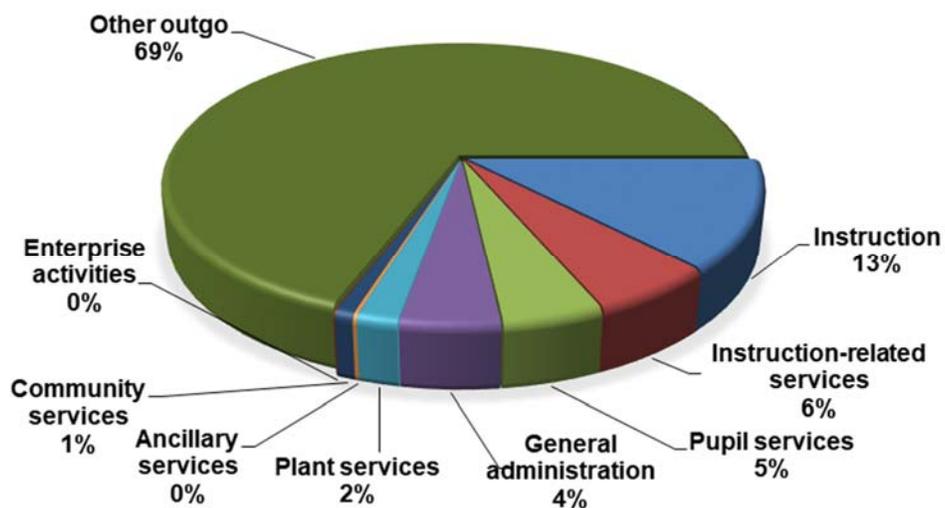
Of the \$157 million in revenue for governmental activities, the main revenue sources of the County Office are operating grants and contributions providing over 80% of funding (see Figure 1).

**Figure 1**  
**Sources of Revenue for the Fiscal Year 2016-2017**



The cost of all of the County Office governmental activities this year was \$154 million. The County Office expenses are predominantly related to SELPA pass-through transfers to districts and charter schools, instruction and instruction-related services (see Figure 2).

**Figure 2**  
**Expenses for the Fiscal Year 2016-2017**



## 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 \$26.9 million, a decrease of \$460 thousand from the previous fiscal year's combined ending balance of \$27.3 million. This change resulted primarily from an increase in the County School Service Fund (\$790 thousand) and decreases in the Special Education Pass-Through Fund (\$340 thousand) and the County School Facilities Fund (\$920 thousand).

The County School Service Fund is the County Office's primary operating fund. The County Office ended the year with \$16.6 million in the County School Service Fund ending balance, of which \$1.5 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.

Balances in other governmental funds are made up of restricted, committed and assigned fund balances and changes in these funds are detailed as follows:

	Non-Major Governmental Funds						Total
	Special Education Pass-Through Fund	Adult Education	Child Development	Deferred Maintenance	Forest Reserve	County School Facilities	
Revenues and Sources	\$ 106,008,853	\$ 547,464	\$ 3,629,748	\$ 166,945	\$ 430,641	\$ 6,006	\$ 4,780,804
Expenditures and Uses	106,350,826	534,569	3,625,521	171,076	429,326	923,226	5,683,718
Net change in fund balances	(341,973)	12,895	4,227	(4,131)	1,315	(917,220)	(902,914)
Fund balances, July 1, 2016	8,233,377	82,504	3,223	1,728,759	469	1,495,357	3,310,312
Fund balances, June 30, 2017	7,891,404	95,399	7,450	1,724,628	1,784	578,137	2,407,398

### 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 original budget for the County School Service Fund reflected a net decrease to the ending balance of \$110 thousand and the final revised budget reflected a net decrease of \$1.2 million. This change resulted primarily from a decrease in the revenue amount budgeted for one-time funds for outstanding mandate claims. The change from the final revised budget to actual resulted primarily from lower expenditures expenses in SELPA, facilities and various other programs.

## CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of the 2016-2017 fiscal year, the County Office had invested \$22.3 million in capital assets, including school buildings, administrative buildings, site improvements, vehicles and equipment. This amount represents an increase of \$740 thousand in equipment, including replacement of vehicles for regional special education programs, data center equipment, and other equipment. These increases were offset by disposals of assets and depreciation expense, ending the year with capital assets net of depreciation of \$11.8 million (see Table 3).

**Table 3**  
**Comparative Schedule of Capital Assets**  
**(net of depreciation)**  
**June 30, 2017 and 2016**

	2017	2016	Net Change
Land	\$ 748,482	\$ 748,482	\$ -
Site Improvements	85,528	99,537	(14,009)
Buildings	9,075,742	9,438,493	(362,751)
Machinery and Equipment	1,889,026	1,509,113	379,913
Totals	<u>\$11,798,778</u>	<u>\$11,795,625</u>	<u>\$ 3,153</u>

## LONG-TERM DEBT

At June 30, 2017, the County Office had \$47 million in long-term debt outstanding, including the net pension liability (see Table 4).

**Table 4**  
**Comparative Schedule of Outstanding Debt**  
**June 30, 2017 and 2016**

	2017	2016	Net Change
Compensated Absences	\$ 261,386	\$ 287,665	\$ (26,279)
Net Pension Liability	46,659,000	37,823,062	8,835,938
Totals	<u>\$46,920,386</u>	<u>\$38,110,727</u>	<u>\$ 8,809,659</u>

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 2017-2018 budget signifies the fifth 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 1.56% in 2017-2018 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.

Under LCFF, county offices of education have additional responsibilities including review of Local Control and Accountability Plans (LCAPs) and providing technical assistance ("differentiated assistance", Level 2 in California's three level system of support) to their local school districts to address performance issues identified in the new Dashboard. These added duties continue to be defined as the state develops its system of support and come without additional identified ongoing funding.

### **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, added LCFF responsibilities, 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.

## **BASIC FINANCIAL STATEMENTS**

EL DORADO COUNTY OFFICE OF EDUCATION  
STATEMENT OF NET POSITION  
June 30, 2017

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 25,119,013	\$ 579,080	\$ 25,698,093
Receivables	13,284,053	304,206	13,588,259
Due from (to) other funds (Note 3)	(309)	309	-
Stores inventory	45,693	-	45,693
Prepaid expenses	509,763	-	509,763
Other post-employment benefits (Note 9)	157,441	-	157,441
Non-depreciable capital assets (Note 4)	748,482	-	748,482
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>11,050,296</u>	<u>-</u>	<u>11,050,296</u>
Total assets	<u>50,914,432</u>	<u>883,595</u>	<u>51,798,027</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow of resources - pensions (Notes 7 and 8)	<u>14,045,588</u>	<u>726,866</u>	<u>14,772,454</u>
<b>LIABILITIES</b>			
Accounts payable	8,192,065	184,449	8,376,514
Unearned revenue	3,913,807	30,764	3,944,571
Long-term liabilities (Note 5):			
Due within one year	261,386	-	261,386
Due after one year	<u>44,562,269</u>	<u>2,096,731</u>	<u>46,659,000</u>
Total liabilities	<u>56,929,527</u>	<u>2,311,944</u>	<u>59,241,471</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>1,269,501</u>	<u>68,499</u>	<u>1,338,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,798,778	-	11,798,778
Restricted:			
Legally restricted programs	11,320,284	-	11,320,284
Capital projects	578,137	-	578,137
Unrestricted	<u>(16,936,207)</u>	<u>(769,982)</u>	<u>(17,706,189)</u>
Total net position	<u>\$ 6,760,992</u>	<u>\$ (769,982)</u>	<u>\$ 5,991,010</u>

See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 19,608,742	\$ 474,767	\$ 15,022,538	\$ (917,220)	\$ (5,028,657)	\$ -	\$ (5,028,657)
Instruction-related services:							
Supervision of instruction	5,928,042	123,240	3,875,909	-	(1,928,893)	-	(1,928,893)
Instructional library, media and technology	-	-	-	-	-	-	-
School site administration	3,049,736	35,467	1,243,181	-	(1,771,088)	-	(1,771,088)
Pupil services:							
Home-to-school transportation	2,992,402	-	2,711	-	(2,989,691)	-	(2,989,691)
Food services	322,737	5,558	295,091	-	(22,088)	-	(22,088)
All other pupil services	3,887,784	45,971	3,556,505	-	(285,308)	-	(285,308)
General administration:							
Centralized data processing	1,594,904	-	2,512	-	(1,592,392)	-	(1,592,392)
All other general administration	5,497,678	62,682	2,162,631	-	(3,272,365)	-	(3,272,365)
Plant services	2,935,306	41,504	906,342	-	(1,987,460)	-	(1,987,460)
Ancillary services	264,489	-	-	-	(264,489)	-	(264,489)
Community services	1,291,733	15,914	1,251,719	-	(24,100)	-	(24,100)
Enterprise activities	(110,015)	-	2,251	-	112,266	-	112,266
Other outgo	<u>106,713,328</u>	<u>3,239,800</u>	<u>100,378,487</u>	<u>-</u>	<u>(3,095,041)</u>	<u>-</u>	<u>(3,095,041)</u>
Total governmental activities	<u>153,976,866</u>	<u>4,044,903</u>	<u>128,699,877</u>	<u>(917,220)</u>	<u>(22,149,306)</u>	<u>-</u>	<u>(22,149,306)</u>
Business-Type Activities:							
Enterprise activities	<u>2,888,924</u>	<u>2,720,193</u>	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>(163,231)</u>	<u>(163,231)</u>
Total activities	<u>\$ 156,865,790</u>	<u>\$ 6,765,096</u>	<u>\$ 128,705,377</u>	<u>\$ (917,220)</u>	<u>(22,149,306)</u>	<u>(163,231)</u>	<u>(22,312,537)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					7,015,755	-	7,015,755
Taxes levied for other specific purposes					22,921	-	22,921
Federal and state aid not restricted to specific purposes					11,930,563	-	11,930,563
Interest and investment earnings					164,332	3,052	167,384
Interagency revenues					1,311,988	-	1,311,988
Miscellaneous					<u>4,875,775</u>	<u>-</u>	<u>4,875,775</u>
Total general revenues					<u>25,321,334</u>	<u>3,052</u>	<u>25,324,386</u>
Change in net position					3,172,028	(160,179)	3,011,849
Net position, July 1, 2016					<u>3,588,964</u>	<u>(609,803)</u>	<u>2,979,161</u>
Net position, June 30, 2017					<u>\$ 6,760,992</u>	<u>\$ (769,982)</u>	<u>\$ 5,991,010</u>

See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	County School Service Fund	Special Education Pass-Through Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments:				
Cash in County Treasury	\$ 15,530,460	\$ 7,273,099	\$ 2,312,504	\$ 25,116,063
Cash in revolving fund	2,950	-	-	2,950
Receivables	3,736,514	9,017,608	529,931	13,284,053
Stores inventory	45,693	-	-	45,693
Prepaid expenditures	509,763	-	-	509,763
Due from other funds	<u>481,594</u>	<u>-</u>	<u>122,491</u>	<u>604,085</u>
Total assets	<u>\$ 20,306,974</u>	<u>\$ 16,290,707</u>	<u>\$ 2,964,926</u>	<u>\$ 39,562,607</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 824,853	\$ 7,337,926	\$ 29,286	\$ 8,192,065
Unearned revenue	2,805,782	1,061,377	46,648	3,913,807
Due to other funds	<u>122,800</u>	<u>-</u>	<u>481,594</u>	<u>604,394</u>
Total liabilities	<u>3,753,435</u>	<u>8,399,303</u>	<u>557,528</u>	<u>12,710,266</u>
Fund balances:				
Nonspendable	558,406	-	-	558,406
Restricted	3,421,430	7,891,404	2,407,398	13,720,232
Assigned	11,180,090	-	-	11,180,090
Unassigned	<u>1,393,613</u>	<u>-</u>	<u>-</u>	<u>1,393,613</u>
Total fund balances	<u>16,553,539</u>	<u>7,891,404</u>	<u>2,407,398</u>	<u>26,852,341</u>
Total liabilities and fund balances	<u>\$ 20,306,974</u>	<u>\$ 16,290,707</u>	<u>\$ 2,964,926</u>	<u>\$ 39,562,607</u>

See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2017

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Total fund balances - Governmental Funds \$ 26,852,341

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$22,325,630 and the accumulated depreciation is \$10,526,852 (Note 4). 11,798,778

Other postemployment benefits assets are recognized in the government-wide statements but not recognized in the governmental funds (Note 9). 157,441

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2017 consisted of (Note 5):

Net pension liability (Notes 7 and 8)	\$ (44,562,269)	
Compensated absences	<u>(261,386)</u>	
		(44,823,655)

In government 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 (Notes 7 and 8):

Deferred outflows of resources relating to pensions	\$ 14,045,588	
Deferred inflows of resources relating to pensions	<u>(1,269,501)</u>	
		<u>12,776,087</u>

Total net position - governmental activities \$ 6,760,992

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See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

	County School Service Fund	Special Education Pass-Through Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 9,500,647	\$ -	\$ 156,435	\$ 9,657,082
Local sources	<u>8,178,484</u>	<u>-</u>	<u>-</u>	<u>8,178,484</u>
Total LCFF	<u>17,679,131</u>	<u>-</u>	<u>156,435</u>	<u>17,835,566</u>
Federal sources	8,945,062	18,186,534	845,789	27,977,385
Other state sources	9,549,081	87,815,582	2,345,217	99,709,880
Other local sources	<u>10,974,571</u>	<u>6,737</u>	<u>1,310,985</u>	<u>12,292,293</u>
Total revenues	<u>47,147,845</u>	<u>106,008,853</u>	<u>4,658,426</u>	<u>157,815,124</u>
Expenditures:				
Current:				
Certificated salaries	14,885,731	-	985,878	15,871,609
Classified salaries	13,191,033	-	1,132,100	14,323,133
Employee benefits	9,383,638	-	768,708	10,152,346
Books and supplies	1,475,168	-	260,396	1,735,564
Contract services and operating expenditures	6,789,354	-	874,363	7,663,717
Other outgo	11,250	106,350,826	1,274,478	107,636,554
Capital outlay	<u>889,620</u>	<u>-</u>	<u>-</u>	<u>889,620</u>
Total expenditures	<u>46,625,794</u>	<u>106,350,826</u>	<u>5,295,923</u>	<u>158,272,543</u>
Excess of revenues over expenditures	<u>522,051</u>	<u>(341,973)</u>	<u>(637,497)</u>	<u>(457,419)</u>
Other financing sources (uses):				
Transfers in	387,795	-	122,378	510,173
Transfers out	<u>(122,378)</u>	<u>-</u>	<u>(387,795)</u>	<u>(510,173)</u>
Total other financing sources (uses)	<u>265,417</u>	<u>-</u>	<u>(265,417)</u>	<u>-</u>
Net change in fund balances	787,468	(341,973)	(902,914)	(457,419)
Fund balances, July 1, 2016	<u>15,766,071</u>	<u>8,233,377</u>	<u>3,310,312</u>	<u>27,309,760</u>
Fund balances, June 30, 2017	<u>\$ 16,553,539</u>	<u>\$ 7,891,404</u>	<u>\$ 2,407,398</u>	<u>\$ 26,852,341</u>

See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

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Net change in fund balances - Total Governmental Funds	\$ (457,419)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	743,627
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(740,474)
Contributions for postemployment benefits 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 (Notes 9).	29,422
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 (Notes 7 and 8).	3,570,593
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>26,279</u>
Change in net position of governmental activities	<u>\$ 3,172,028</u>

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See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
OTHER ENTERPRISE FUND - BUSINESS -TYPE ACTIVITIES  
June 30, 2017

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**ASSETS**

Current assets:	
Cash in County Treasury	\$ 579,080
Receivables	304,206
Due from other funds	<u>309</u>
Total current assets	<u>883,595</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources - pensions	<u>726,866</u>
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**LIABILITIES**

Current liabilities:	
Accounts payable	184,449
Unearned revenue	<u>30,764</u>
Total current liabilities	215,213
Long-term liabilities:	
Net pension liability	<u>2,096,731</u>
Total liabilities	<u>2,311,944</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources - pensions	<u>68,499</u>
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**NET POSITION**

Unrestricted	<u><u>\$ (769,982)</u></u>
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See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND  
OTHER ENTERPRISE FUND - BUSINESS - TYPE ACTIVITIES  
For the Year Ended June 30, 2017

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Operating revenues:	
Fees	\$ 2,715,708
Other local sources	9,985
STRS on-behalf pension contributions	<u>37,543</u>
 Total operating revenues	 <u>2,763,236</u>
Operating expenses:	
Certificated salaries	55,184
Classified salaries	1,533,265
Employee benefits	708,539
Books and supplies	114,678
Services and other operating expenses	<u>514,803</u>
 Total operating expenses	 <u>2,926,469</u>
 Operating loss	 (163,233)
Non-operating revenue:	
Interest income	<u>3,054</u>
 Change in net position	 (160,179)
Net position, July 1, 2016	<u>(609,803)</u>
Net position, June 30, 2017	<u><u>\$ (769,982)</u></u>

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See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
STATEMENT OF NET CASH FLOWS - PROPRIETARY FUND  
OTHER ENTERPRISE - BUSINESS - TYPE ACTIVITIES  
For the Year Ended June 30, 2017

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Cash flows from operating activities:	
Cash received from fees	\$ 2,559,204
Cash paid for books and supplies	(114,678)
Cash paid for contract services	(492,985)
Cash paid for salaries and employee benefits	<u>(2,259,445)</u>
Net cash used in operating activities	<u>(307,904)</u>
Cash provided by investing activities:	
Interest income	<u>3,054</u>
Decrease in cash and investments	(304,850)
Cash and investments, July 1, 2016	<u>883,930</u>
Cash and investments, June 30, 2017	<u><u>\$ 579,080</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (163,233)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in receivables	(166,464)
Increase in due from other funds	(25)
Increase in deferred outflow of resources	(186,918)
Increase in accounts payable	3,992
Decrease in due to other funds	(223,167)
Increase in unearned revenue	1,163
Increase in net pension liability	720,457
Decrease in deferred inflow of resources	<u>(293,709)</u>
Net cash used in operating activities	<u><u>\$ (307,904)</u></u>

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See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
June 30, 2017

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	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 43,149	\$ 3,324,759
Cash in bank	<u>-</u>	<u>4,260</u>
Total assets	<u>\$ 43,149</u>	<u>\$ 3,329,019</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 3,324,759
Due to student groups	<u>-</u>	<u>4,260</u>
Total liabilities	<u>\$ -</u>	<u>\$ 3,329,019</u>
<b>NET POSITION</b>		
Restricted for scholarships	<u>\$ 43,149</u>	

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See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION  
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
TRUST FUND  
For the Year Ended June 30, 2017

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	Private Purpose <u>Trust Fund</u>
Additions:	
Other local revenues	\$ <u>6,277</u>
Deductions:	
Scholarships	6,616
Other transfers	<u>2,062</u>
Total expenditures	<u>8,678</u>
Change in net position	(2,401)
Net position, July 1, 2016	<u>45,550</u>
Net position, June 30, 2017	<u><u>\$ 43,149</u></u>

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See accompanying notes to financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Reporting Entity: 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.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the Office of Education's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the Office of Education's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: 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. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and Statement of Change in Fiduciary Net Position at the fund financial statement level.

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

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

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

Basis of Presentation - Fund Accounting: The accounts of the Office of Education 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. Office of Education 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.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Major Funds:

The 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.

The Special Education Pass-Through Fund is a special revenue fund used by the Administrative Unit of a Special Education Local Plan Area (SELPA) to account for special education pass-through revenues outside the general fund.

Other Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Deferred Maintenance and Forest Reserve Funds.

The County School Facilities Fund is a capital projects fund used to account for resources used for the acquisition or construction of capital facilities by the District.

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 Office of Education operates the following Fiduciary Funds:

The Trust fund is used to account for funds restricted for specific purposes. The classification includes the Scholarship Fund.

Agency Funds are used to account for assets of others for which the Office of Education acts as an agent. The Payroll Clearing Fund is used to account for the payroll for all educational entities within the county.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities and business-type activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Office of Education's governing board satisfied these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The Office of Education has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The Office of Education has recognized a deferred outflow of resources relate to recognition of the pension liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The Office of Education has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

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 position of the California State Teachers' Retirement System (CalSTRS) State Teachers' Retirement Plan (STRP) and the California Public Employees' Retirement System (CalPERS) Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. The following is a summary of pension amounts in aggregate.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 6,550,586	\$ 8,221,868	\$ 14,772,454
Deferred inflows of resources	\$ 562,000	\$ 776,000	\$ 1,338,000
Net pension liability	<u>\$ 23,030,000</u>	<u>\$ 23,629,000</u>	<u>\$ 46,659,000</u>
Pension expense	<u>\$ 598,718</u>	<u>\$ 841,397</u>	<u>\$ 1,440,115</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements 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.

Compensated Absences: Compensated absences benefits totaling \$261,386 are recorded as a liability of the Office of Education. The liability is for earned but unused benefits. The amount to be provided by future operations represents the total amount that would be required to be provided from the general operating revenues of the Office of Education if all the benefits were to be paid.

Accumulated Sick Leave: 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.

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

Net Position: Net position is displayed in three components:

1. 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.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the Office of Education's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**A - Nonspendable Fund Balance:**

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

**B - Restricted Fund Balance:**

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

**C - Committed Fund Balance:**

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Superintendent of Schools. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. 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 majority vote of the County Board of Education.

**D - Assigned Fund Balance:**

The assigned fund balance classification 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.

**E - Unassigned Fund Balance:**

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

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

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

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The purpose of the County Office's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures. The County Office has adopted a policy to achieve and maintain unrestricted fund balance in the County School Service Fund of 3% of total County School Service Fund expenditures, other uses and transfers out at the close of each fiscal year.

Property Taxes: 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.

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

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.

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2017 consisted of the following:

	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Fiduciary Activities</u>
<b>ASSETS</b>			
Pooled Fund:			
Cash in County Treasury	\$ 25,116,063	\$ 579,080	\$ 3,367,908
Deposits:			
Cash on hand and in banks	-	-	4,260
Cash in revolving fund	<u>2,950</u>	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 25,119,013</u>	<u>\$ 579,080</u>	<u>\$ 3,372,168</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Pooled Funds: In accordance with Education Code Section 41001, the Office of Education maintains substantially all of its cash in the interest bearing El Dorado County Treasurer's Pooled Investment Fund. The Office of Education is considered to be an involuntary participant in an external investment pool. The fair value of the Office of Education's investment in the pool is reported in the financial statements at amounts based upon the Office of Education's prorata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Deposits - Custodial Credit Risk: For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Office of Education's deposits may not be returned. The Office of Education does not have a deposit policy for custodial credit risk. The Office of Education limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") and are collateralized by the respective financial institution. At June 30, 2017, the carrying amount of the Office of Education's accounts was \$7,210 and the bank balance was \$10,465, all of which was insured.

Interest Rate Risk: The Office of Education has a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the Office of Education had no significant interest rate risk related to cash and investments held.

Credit Risk: The Office of Education has a formal investment policy that limits its investment choices in addition to the limitations of state law.

Concentration of Credit Risk: The Office of Education does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the Office of Education had no concentration of credit risk.

**NOTE 3 - INTERFUND TRANSACTIONS**

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

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2017 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
County School Service	\$ 481,594	\$ 122,800
Non-Major Funds:		
Adult Education	122,491	68,389
Child Development	-	405,250
Deferred Maintenance	-	7,955
Proprietary Fund:		
Enterprise	<u>309</u>	<u>-</u>
	<u>\$ 604,394</u>	<u>\$ 604,394</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

Transfers: Transfers for the 2016-2017 fiscal year were as follows:

Transfer from the County School Service Fund to the Child Development Fund to supplement program and provide positive cash flow.	\$ 122,378
Transfer from the Child Development Fund to the County School Service Fund for indirect costs	266,567
Transfer from the Adult Education Fund to the County School Service Fund for indirect costs	43,154
Transfer from the from the Forest Reserve Fund to the County School Service Fund for annual Forest Reserve allocation.	<u>78,074</u>
	<u><u>\$ 510,173</u></u>

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance July 1, <u>2016</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2017</u>
Non-depreciable:				
Land	\$ 748,482	\$ -	\$ -	\$ 748,482
Depreciable:				
Improvement of sites	448,754	-	-	448,754
Building	16,199,153	-	-	16,199,153
Equipment	<u>4,661,670</u>	<u>743,627</u>	<u>476,056</u>	<u>4,929,241</u>
Totals, at cost	<u>22,058,059</u>	<u>743,627</u>	<u>476,056</u>	<u>22,325,630</u>
Less accumulated depreciation:				
Improvement of sites	(349,217)	(14,009)	-	(363,226)
Building	(6,760,660)	(362,751)	-	(7,123,411)
Machinery and equipment	<u>(3,152,557)</u>	<u>(363,714)</u>	<u>(476,056)</u>	<u>(3,040,215)</u>
Total accumulated depreciation	<u>(10,262,434)</u>	<u>(740,474)</u>	<u>(476,056)</u>	<u>(10,526,852)</u>
Capital assets, net	<u>\$ 11,795,625</u>	<u>\$ 3,153</u>	<u>\$ -</u>	<u>\$ 11,798,778</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 4 - CAPITAL ASSETS (Continued)**

For the year ended June 30, 2017, depreciation expense was charged to governmental activities as follows:

Instruction	\$ 84,987
Home-to-school transportation	175,796
Food services	15,382
Pupil services	5,678
General administration	16,231
Data processing	75,602
Plant services	<u>366,798</u>
 Total depreciation expense	 <u><u>\$ 740,474</u></u>

**NOTE 5 - LONG-TERM LIABILITIES**

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2017 is shown below:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
Net pension liability (Notes 7 & 8)	\$ 36,446,788	\$ 8,115,481	\$ -	\$ 44,562,269	\$ -
Compensated absences	<u>287,665</u>	<u>-</u>	<u>26,279</u>	<u>261,386</u>	<u>261,386</u>
Subtotal	<u>36,734,453</u>	<u>8,115,481</u>	<u>26,279</u>	<u>44,823,655</u>	<u>261,386</u>
Proprietary Fund Activities					
Net pension liability (Notes 7 & 8)	<u>1,376,274</u>	<u>720,457</u>	<u>-</u>	<u>2,096,731</u>	<u>-</u>
Total long-term liabilities	<u><u>\$ 38,110,727</u></u>	<u><u>\$ 8,835,938</u></u>	<u><u>\$ 26,279</u></u>	<u><u>\$ 46,920,386</u></u>	<u><u>\$ 261,386</u></u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2017 consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	\$ 2,950	\$ -	\$ -	\$ 2,950
Stores inventory	45,693	-	-	45,693
Prepaid expenditures	<u>509,763</u>	<u>-</u>	<u>-</u>	<u>509,763</u>
Subtotal nonspendable	<u>558,406</u>	<u>-</u>	<u>-</u>	<u>558,406</u>
Restricted:				
Legally restricted programs	3,421,430	7,891,404	1,829,261	13,142,095
Capital projects	<u>-</u>	<u>-</u>	<u>578,137</u>	<u>578,137</u>
Subtotal restricted	<u>3,421,430</u>	<u>7,891,404</u>	<u>2,407,398</u>	<u>13,720,232</u>
Assigned:				
Capital Equipment	1,912,554	-	-	1,912,554
Instructional / Other				
Programs	8,418,108	-	-	8,418,108
Lottery	173,950	-	-	173,950
Pending litigation	100,000	-	-	100,000
Retiree benefits	<u>575,478</u>	<u>-</u>	<u>-</u>	<u>575,478</u>
Subtotal assigned	<u>11,180,090</u>	<u>-</u>	<u>-</u>	<u>11,180,090</u>
Unassigned:				
Designated for economic uncertainty	<u>1,393,613</u>	<u>-</u>	<u>-</u>	<u>1,393,613</u>
Total fund balances	<u>\$ 16,553,539</u>	<u>\$ 7,891,404</u>	<u>\$ 2,407,398</u>	<u>\$ 26,852,341</u>

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN**

*General Information about the State Teachers' Retirement Plan*

Plan Description: Teaching-certified employees of the Office of Education are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

(Continued)

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN** (Continued)

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

*CalSTRS 2% at 60*

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

*CalSTRS 2% at 62*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

Contributions: 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.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

*Employers* – 12.58 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The Office of Education contributed \$1,826,586 to the plan for the fiscal year ended June 30, 2017.

*State* - 8.828 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)**

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding (1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017	2.017%	4.811%(2)	2.50%	9.328%
July 01, 2018 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(3)	2.50%	4.571%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) During its April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the Office of Education reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Office of Education. The amount recognized by the Office of Education as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Office of Education were as follows:

Office of Education’s proportionate share of the net pension liability	\$ 23,030,000
State’s proportionate share of the net pension liability associated with the Office of Education	<u>13,112,000</u>
Total	<u>\$ 36,142,000</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Office of Education’s proportion of the net pension liability was based on the Office of Education’s share of contributions to the pension plan relative to the contributions of all participating Local Education Agencies and the State. At June 30, 2016, the Office of Education’s proportion was 0.028 percent, which was an decrease of 0.003 percent from its proportion measured as of June 30, 2015.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)**

For the year ended June 30, 2017, the Office of Education recognized pension expense of \$598,718 and revenue of \$1,092,256 for support provided by the State. At June 30, 2017, the Office of Education 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>
Difference between expected and actual experience	\$ -	\$ 562,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	1,831,000	-
Changes in proportion and differences between Office of Education contributions and proportionate share of contributions	2,893,000	-
Contributions made subsequent to measurement date	<u>1,826,586</u>	<u>-</u>
Total	<u>\$ 6,550,586</u>	<u>\$ 562,000</u>

\$1,826,586 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2018	\$ 461,724
2019	\$ 461,725
2020	\$ 1,424,701
2021	\$ 1,088,050
2022	\$ 401,300
2023	\$ 324,500

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
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 Not applicable for DBS/CBB

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)**

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables 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 and June 30, 2015 Actuarial Program Valuations 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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-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%	9.30%
Private Equity	13	9.30
Real Estate	13	5.20
Inflation Sensitive	4	3.80
Fixed Income	12	0.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Cash / Liquidity	2	(1.00)

\* 20-year geometric average

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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)**

Sensitivity of the Office of Education’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the Office of Education’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
Office of Education’s proportionate share of the net pension liability	<u>\$ 33,145,000</u>	<u>\$ 23,030,000</u>	<u>\$ 14,628,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B**

*General Information about the Public Employer’s Retirement Fund B*

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

*Members* - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

*Employers* - The employer contribution rate was 13.888 percent of applicable member earnings.

The Office of Education contributed \$2,091,868 to the plan for the fiscal year ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the Office of Education reported a liability of \$23,629,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Office of Education’s proportion of the net pension liability was based on the Office of Education’s share of contributions to the pension plan relative to the contributions of all participating Local Education Agencies. At June 30, 2016, the Office of Education’s proportion was 0.120 percent, which was a decrease of 0.013 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Office of Education recognized pension expense of \$841,397. At June 30, 2017, the Office of Education 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>
Difference between expected and actual experience	\$ 1,016,000	\$ -
Changes of assumptions	-	710,000
Net differences between projected and actual earnings on investments	3,667,000	-
Changes in proportion and differences between Office of Education contributions and proportionate share of contributions	1,447,000	66,000
Contributions made subsequent to measurement date	<u>2,091,868</u>	<u>-</u>
Total	<u>\$ 8,221,868</u>	<u>\$ 776,000</u>

\$2,091,868 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2018	\$ 1,099,495
2019	\$ 1,099,495
2020	\$ 2,198,010
2021	\$ 957,000

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	June 30, 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

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Debt Securities	20	0.99
Inflation Assets	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	1	(0.55)
* 10-year geometric average		

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

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 Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the Office of Education’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the Office of Education’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
Office of Education’s proportionate share of the net pension liability	<u>\$ 35,255,000</u>	<u>\$ 23,629,000</u>	<u>\$ 13,949,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

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(Continued)

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

In addition to the benefits described in Notes 7 and 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.

*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.

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.

As of June 30, 2017, there were 5 retired employees receiving benefits under this agreement. The plan operates on a pay-as-you-go-basis.

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.

*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.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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.

The Office of Education's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Office of Education's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Office of Education's net OPEB asset:

Annual required contribution	\$ 29,628
Interest on net OPEB obligation	(5,121)
Adjustment to annual required contribution	<u>7,352</u>
Annual OPEB cost (expense)	31,859
Contributions made	<u>61,281</u>
Change in net OPEB obligation	(29,422)
Net OPEB obligation (asset) - beginning of year	<u>(128,019)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (157,441)</u></u>

The County Office's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	\$ 59,183	101%	\$ (128,089)
June 30, 2016	\$ 59,724	93%	\$ (128,019)
June 30, 2017	\$ 31,859	223%	\$ (157,441)

As of June 23, 2017, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$304,926 and the actuarial value of plan assets was zero, resulting in an unfunded liability of \$304,926. The covered payroll (annual payroll of active employees covered by the Plan) was \$1.09 million, and the ratio of the UAAL to the covered payroll was 28 percent.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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 the employer 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, shown as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 23, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate (net of administrative expenses), and an annual healthcare cost trend rate of 4 percent. The County Office's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 15 years.

**NOTE 10 - JOINT POWERS AGREEMENTS**

The County Office participates in one joint ventures under joint powers agreements (JPA) with Schools Insurance Authority (SIA). The relationship 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. The JPA is described below.

Schools Insurance Authority: The District is a member of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program. The Authority is governed by a Governing Board consisting of representatives of member districts. The Governing Board controls the operations of SIA, including selections of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Condensed financial information for SIA for the year ended June 30, 2017 is as follows:

Total assets	\$ 140,450,093
Deferred outflows of resources	\$ 1,580,594
Total liabilities	\$ 67,894,697
Deferred inflows of resources	\$ 253,160
Net position	\$ 73,882,830
Total revenues	\$ 55,147,588
Total expenses	\$ 48,132,916

The relationship between the District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

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(Continued)

**NOTE 11 - CONTINGENCIES**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

EL DORADO COUNTY OFFICE OF EDUCATION  
COUNTY SCHOOL SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2017

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Local Control Funding Formula:				
State apportionment	\$ 9,664,844	\$ 9,383,973	\$ 9,500,647	\$ 116,674
Local sources	<u>7,720,053</u>	<u>8,231,673</u>	<u>8,178,484</u>	<u>(53,189)</u>
Total LCFF	<u>17,384,897</u>	<u>17,615,646</u>	<u>17,679,131</u>	<u>63,485</u>
Federal sources	8,447,217	8,618,139	8,945,062	326,923
Other state sources	11,839,255	9,979,333	9,549,081	(430,252)
Other local sources	<u>10,863,729</u>	<u>10,966,606</u>	<u>10,974,571</u>	<u>7,965</u>
Total revenues	<u>48,535,098</u>	<u>47,179,724</u>	<u>47,147,845</u>	<u>(31,879)</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	14,561,338	14,900,961	14,885,731	15,230
Classified salaries	13,085,839	13,415,870	13,191,033	224,837
Employee benefits	9,847,063	9,750,744	9,383,638	367,106
Books and supplies	1,875,511	1,753,853	1,475,168	278,685
Contract services and operating expenditures	8,743,500	7,907,799	6,789,354	1,118,445
Other outgo	13,950	11,250	11,250	-
Capital outlay	<u>802,316</u>	<u>934,260</u>	<u>889,620</u>	<u>44,640</u>
Total expenditures	<u>48,929,517</u>	<u>48,674,737</u>	<u>46,625,794</u>	<u>2,048,943</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(394,419)</u>	<u>(1,495,013)</u>	<u>522,051</u>	<u>2,017,064</u>
<b>Other financing sources (uses):</b>				
Transfers in	800,153	578,264	387,795	(190,469)
Transfers out	<u>(514,146)</u>	<u>(321,209)</u>	<u>(122,378)</u>	<u>198,831</u>
Total other financing sources (uses)	<u>286,007</u>	<u>257,055</u>	<u>265,417</u>	<u>8,362</u>
Net change in fund balance	(108,412)	(1,237,958)	787,468	2,025,426
Fund balance, July 1, 2016	<u>15,766,071</u>	<u>15,766,071</u>	<u>15,766,071</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 15,657,659</u>	<u>\$ 14,528,113</u>	<u>\$ 16,553,539</u>	<u>\$ 2,025,426</u>

See accompanying note to required supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
SPECIAL EDUCATION PASS-THROUGH FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources	\$ 17,908,266	\$ 19,033,943	\$ 18,186,534	\$ (847,409)
Other state sources	87,403,886	87,353,634	87,815,582	461,948
Other local sources	<u>3,700</u>	<u>18,976</u>	<u>6,737</u>	<u>(12,239)</u>
Total revenues	<u>105,315,852</u>	<u>106,406,553</u>	<u>106,008,853</u>	<u>(397,700)</u>
Expenditures:				
Current:				
Other outgo	<u>106,465,241</u>	<u>106,924,108</u>	<u>106,350,826</u>	<u>573,282</u>
Net change in fund balance	(1,149,389)	(517,555)	(341,973)	175,582
Fund balance, July 1, 2016	<u>8,233,377</u>	<u>8,233,377</u>	<u>8,233,377</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 7,083,988</u>	<u>\$ 7,715,822</u>	<u>\$ 7,891,404</u>	<u>\$ 175,582</u>

See accompanying note to required supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 For the Year Ended June 30, 2017

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Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2013	\$ -	\$ 448,270	\$ 448,270	0%	1.11 million	43%
June 23, 2017	\$ -	\$ 304,926	\$ 304,926	0%	\$1.09 million	28%

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See accompanying note to required supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF THE OFFICE OF EDUCATION'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2017

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Office of Education's proportion of the net pension liability	0.028%	0.025%	0.028%
Office of Education's proportionate share of the net pension liability	\$ 16,362,360	\$ 19,760,754	\$ 23,030,000
State's proportionate share of the net pension liability associated with the Office of Education	<u>9,887,069</u>	<u>8,879,000</u>	<u>13,112,000</u>
Total net pension liability	<u>\$ 26,249,429</u>	<u>\$ 28,639,754</u>	<u>\$ 36,142,000</u>
Office of Education's covered payroll	\$ 13,496,148	\$ 13,512,958	\$ 14,190,000
Office of Education's proportionate share of the net pension liability as a percentage of its covered payroll	121.24%	146.24%	162.30%
Plan fiduciary net position as a percentage of the total pension liability	74.00%	74.02%	70.04%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF THE OFFICE OF EDUCATION'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2017

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Office of Education's proportion of the net pension liability	0.116%	0.107%	0.120%
Office of Education's proportionate share of the net pension liability	\$ 13,180,177	\$ 18,062,308	\$ 23,629,000
Office of Education's covered payroll	\$ 13,078,168	\$ 14,658,287	\$ 14,354,000
Office of Education's proportionate share of the net pension liability as a percentage of its covered payroll	101.00%	152.41%	164.62%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.43%	73.89%

The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

All years prior to 2015 are not available.

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See accompanying note to required supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
SCHEDULE OF THE OFFICE OF EDUCATION'S CONTRIBUTIONS  
For the Year Ended June 30, 2017

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 1,114,819	\$ 1,522,621	\$ 1,826,586
Contributions in relation to the contractually required contribution	<u>(1,114,819)</u>	<u>(1,522,621)</u>	<u>(1,826,586)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Office of Education's covered payroll	\$ 13,512,958	\$ 14,190,000	\$ 14,520,000
Contributions as a percentage of covered payroll	8.25%	10.73%	12.58%

All years prior to 2015 are not available.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
SCHEDULE OF THE OFFICE OF EDUCATION'S CONTRIBUTIONS  
For the Year Ended June 30, 2017

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 1,496,404	\$ 1,700,467	\$ 2,091,868
Contributions in relation to the contractually required contribution	<u>(1,496,404)</u>	<u>(1,700,467)</u>	<u>(2,091,868)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Office of Education's covered payroll	\$ 14,658,287	\$ 14,354,000	\$ 15,062,000
Contributions as a percentage of covered payroll	11.44%	11.85%	13.89%

All years prior to 2015 are not available.

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See accompanying note to required supplementary information.

**NOTE 1 - PURPOSE OF SCHEDULES**

A - Budgetary Comparison Schedule

The Office of Education employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the County School Service Fund, Special Education Pass-Through Fund, and Child Development 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 Other Postemployment Benefits 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 - Schedule of Employer Contributions

The Schedule of Employer Contributions presents the actuarially determined annual required contribution (ARC) and the percentage of that ARC that was contributed by the Office of Education into the OPEB Trust fund.

D - Schedule of the Office of Education's Proportionate Share of the Net Pension Liability

The Schedule of the Office of Education's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the Office of Education's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Schedule of the Office of Education's Contributions

The Schedule of the Office of Education's Contributions is presented to illustrate the Office of Education's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

F - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

G - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65, and 7.65 percent in the June 30, 2013, 2014, and 2015 actuarial reports, respectively. There are no changes in assumptions reported for the State Teachers' Retirement Plan.

**SUPPLEMENTARY INFORMATION**

EL DORADO COUNTY OFFICE OF EDUCATION  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2017

	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Forest Reserve Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
<b>ASSETS</b>						
Cash in County Treasury	\$ -	\$ -	\$ 1,732,583	\$ 1,784	\$ 578,137	\$ 2,312,504
Receivables	171,485	358,446	-	-	-	529,931
Due from other funds	<u>-</u>	<u>122,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,491</u>
Total assets	<u>\$ 171,485</u>	<u>\$ 480,937</u>	<u>\$ 1,732,583</u>	<u>\$ 1,784</u>	<u>\$ 578,137</u>	<u>\$ 2,964,926</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 7,697	\$ 21,589	\$ -	\$ -	\$ -	\$ 29,286
Due to other funds	68,389	405,250	7,955	-	-	481,594
Unearned revenue	<u>-</u>	<u>46,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,648</u>
Total liabilities	<u>76,086</u>	<u>473,487</u>	<u>7,955</u>	<u>-</u>	<u>-</u>	<u>557,528</u>
Fund balances:						
Restricted	<u>95,399</u>	<u>7,450</u>	<u>1,724,628</u>	<u>1,784</u>	<u>578,137</u>	<u>2,407,398</u>
Total liabilities and fund balances	<u>\$ 171,485</u>	<u>\$ 480,937</u>	<u>\$ 1,732,583</u>	<u>\$ 1,784</u>	<u>\$ 578,137</u>	<u>\$ 2,964,926</u>

EL DORADO COUNTY OFFICE OF EDUCATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2017

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	County School Facilities Fund	Total
Revenues:						
LCFF - state apportionment	\$ -	\$ -	\$ 156,435	\$ -	\$ -	\$ 156,435
Federal sources	-	415,297	-	430,492	-	845,789
Other state sources	273,871	2,071,346	-	-	-	2,345,217
Other local sources	<u>273,593</u>	<u>1,020,727</u>	<u>10,510</u>	<u>149</u>	<u>6,006</u>	<u>1,310,985</u>
Total revenues	<u>547,464</u>	<u>3,507,370</u>	<u>166,945</u>	<u>430,641</u>	<u>6,006</u>	<u>4,658,426</u>
Expenditures:						
Current:						
Certificated salaries	249,648	736,230	-	-	-	985,878
Classified salaries	79,557	1,052,543	-	-	-	1,132,100
Employee benefits	90,897	677,811	-	-	-	768,708
Books and supplies	10,514	249,882	-	-	-	260,396
Contract services and operating expenditures	60,799	642,488	171,076	-	-	874,363
Other outgo	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,252</u>	<u>923,226</u>	<u>1,274,478</u>
Total expenditures	<u>491,415</u>	<u>3,358,954</u>	<u>171,076</u>	<u>351,252</u>	<u>923,226</u>	<u>5,295,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,049</u>	<u>148,416</u>	<u>(4,131)</u>	<u>79,389</u>	<u>(917,220)</u>	<u>(637,497)</u>
Other financing sources (uses):						
Transfers in	-	122,378	-	-	-	122,378
Transfers out	<u>(43,154)</u>	<u>(266,567)</u>	<u>-</u>	<u>(78,074)</u>	<u>-</u>	<u>(387,795)</u>
Total other financing sources (uses)	<u>(43,154)</u>	<u>(144,189)</u>	<u>-</u>	<u>(78,074)</u>	<u>-</u>	<u>(265,417)</u>
Net change in fund balances	12,895	4,227	(4,131)	1,315	(917,220)	(902,914)
Fund balances, July 1, 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>
Fund balances, June 30, 2017	<u>\$ 95,399</u>	<u>\$ 7,450</u>	<u>\$ 1,724,628</u>	<u>\$ 1,784</u>	<u>\$ 578,137</u>	<u>\$ 2,407,398</u>

EL DORADO COUNTY OFFICE OF EDUCATION  
ORGANIZATION  
June 30, 2017

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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>
Georgianne Knight	President	November 2018
Heidi Weiland	Vice President	November 2018
Rich Fischer	Member	November 2020
Debbie Akin	Member	November 2020
John Lane	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 Year Ended June 30, 2017

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Special Education - Special Day Class</u>		
Certificate #:	16AB9AB4 5FF5984F 0C385C20	BEBFC7B 3FAE1A11 92CFOD75
Transitional Kindergarten through Third	49	50
Fourth through Sixth	33	34
Juvenile Halls, Homes and Camps	1	1
Total Elementary	83	85
<u>Secondary</u>		
Seventh and Eighth	29	30
Ninth through Twelfth	75	76
Juvenile Halls, Homes and Camps	43	44
Total Secondary	147	150
<u>Charter School Alternative Program</u>		
<u>Elementary</u>		
Certificate #:	44E40311	F21D3D27
Community School Pupils- probation referred	75	72
<u>Secondary</u>		
Community School Pupils- probation referred	216	205
<u>Rite of Passage</u>		
Certificate #:	3BD2289C	5693363C
Juvenile Halls, Homes and Camps	205	216

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2017

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Charter Community School - Home Study Academy:

Certificate #:	6CDB5617 3E9FE8E6	B15994A9 F62EB892
Transitional Kindergarten through Third	52	52
Fourth through Sixth	62	64
Seventh through Eighth	115	116
Ninth through Twelfth	<u>127</u>	<u>125</u>
Total Charter Community School	<u>852</u>	<u>850</u>
Total Office of Education	<u><u>1,082</u></u>	<u><u>1,085</u></u>

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See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2017

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Charter County Community School

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2016-2017 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
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

Rite of Passage

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2016-2017 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	80,640	252	In Compliance
Grade 10	64,800	80,640	252	In Compliance
Grade 11	64,800	80,640	252	In Compliance
Grade 12	64,800	80,640	252	In Compliance

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See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program of Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	IDEA: Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 18,792,016
84.027	IDEA: Basic Local Assistance Entitlement, Part B, Sec 611	10115	8,100
84.027	Alternative Dispute Resolution, Part B, Sec 611	13007	26,944
84.173	IDEA: Preschool Grants, Part B, Section 619	13430	120,585
84.027A	IDEA: Preschool Local Entitlement, Part B, Section 611	13682	332,371
84.027	Mental Health Allocation Plan, Part B, Section 611	14468	1,219,509
84.173A	IDEA: Preschool Staff Development, Part B, Sec 619	13431	<u>2,083</u>
	Subtotal Special Education Cluster		<u>20,501,608</u>
	ESEA: Title I Programs:		
84.010	ESEA: Title I: Part A, Basic Grants Low-Income Neglected	14329	315,127
84.010	ESEA: Title I: Part D, Local Delinquent Programs	14357	<u>712,702</u>
	Subtotal NCLB: Title I Programs		<u>1,027,829</u>
84.181	Special Education: IDEA Early Intervention Grants	24314	96,439
84.367	ESEA: Title II, Part A, Improving Teacher Quality	14344	5,064
84.196	ESEA: Title X McKinney-Vento Homeless Children Assistance Grant	14332	78,760
84.126A	ESEA: Title III, Limited English Proficient (LEP) Student Program	14341	56,715
84.060	Indian Education	10011	<u>223,044</u>
	Total U.S. Department of Education		<u>21,989,459</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program of Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Child Care Cluster:		
93.575	Child Development: Federal Alternative Payment, Stage 3	13881	\$ 294,118
93.575	Child Development: Quality Improvement Activities	13979	100,163
93.575	Child Development: Federal Local Planning Councils	13946	<u>50,267</u>
	Subtotal Child Care Cluster		<u>444,548</u>
93.600	Head Start	N/A	<u>4,518,200</u>
	Medi-Cal Billing Programs:		
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	<u>591,979</u>
	Total U.S. Department of Health and Human Services		<u>444,548</u>
<u>U.S. Department of Agriculture - Passed Through California Department of Education</u>			
10.555	Preschool Food Program - Child Nutrition Cluster	13391	43,429
10.665	Forest Reserve Funds -Schools and Roads - Grants to States Cluster	10044	<u>430,642</u>
	Total U.S. Department of Agriculture		<u>474,071</u>
	Total Federal Programs		<u>\$ 28,018,257</u>
<u>Passed Through to Subrecipients of Education</u>			
10.665	Forest Reserve Funds -Schools and Roads - Grants to States Cluster	13391	\$ 352,503
	Special Education Cluster:		
84.027	IDEA: Basic Local Assistance Entitlement, Part B, Sec 611	13379	16,795,631
84.027	Mental Health Allocation Plan, Part B, Section 611	14468	<u>1,390,903</u>
	Total Passed Through		<u>\$ 18,539,037</u>

See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

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	Enterprise Fund
June 30, 2017 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 668,382
Client proposed adjustment to County Office of Educations' share of unfunded STRS & PERS liability	(1,438,364)
June 30, 2017 Audit Financial Statements Ending Fund Balance	<u>\$ (769,982)</u>

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See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 For the Year Ended June 30, 2017  
 UNAUDITED

	(Budgeted) <u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>County School Service Fund</u>				
Revenues and other financing sources	\$ 47,590,050	\$ 47,535,640	\$ 48,310,346	\$ 44,181,296
Expenditures	48,275,395	46,625,794	47,685,289	43,424,867
Other uses and transfers out	<u>117,183</u>	<u>122,378</u>	<u>185,055</u>	<u>353,388</u>
Total outgo	<u>48,392,578</u>	<u>46,748,172</u>	<u>47,870,344</u>	<u>43,778,255</u>
Change in fund balance	<u>\$ (802,528)</u>	<u>\$ 787,468</u>	<u>\$ 440,002</u>	<u>\$ 403,041</u>
Ending fund balance	<u>\$ 15,751,011</u>	<u>\$ 16,553,539</u>	<u>\$ 15,766,071</u>	<u>\$ 15,326,069</u>
Available reserves	<u>\$ 1,450,964</u>	<u>\$ 1,393,613</u>	<u>\$ 1,436,526</u>	<u>\$ 1,311,550</u>
Designated for economic uncertainties	<u>\$ 1,450,964</u>	<u>\$ 1,393,613</u>	<u>\$ 1,436,526</u>	<u>\$ 1,311,550</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as a percentage of total outgo	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
<u>Total All Funds</u>				
Total long-term liabilities	<u>\$ 46,659,000</u>	<u>\$ 46,920,386</u>	<u>\$ 38,110,727</u>	<u>\$ 29,822,806</u>
Average daily attendance at annual	<u>1,095</u>	<u>1,082</u>	<u>1,017</u>	<u>1,065</u>

The County School Service Fund fund balance has increased by \$1,630,511 over the past three years. The fiscal year 2017-18 budget projects a decrease of \$802,528. For an Office of Education this size, the state recommends available reserves of at least 3% of total County School Services Fund expenditures, transfers out, and other uses (total outgo). The Office of Education has met this requirement for the fiscal year ended June 30, 2017.

The Office of Education has incurred operating surplus in the past three years, and anticipates incurring an operating deficit during the 2017-18 fiscal year.

Total long-term liabilities have increased by \$17,097,580 over the past two years.

Average daily attendance has increased by 17 over the past two years. An increase of 13 ADA is anticipated during fiscal year 2017-18.

See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2017

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<u>Charter Schools Chartered by Office of Education</u>	<u>Included in Office of Education Financial Statements, or Separate Report</u>
0053 - Rite of Passage	Included in County School Service Fund
0005 - Charter Community School Home study Academy	Included in County School Service Fund
0360 - Charter Alternative Program	Included in County School Service Fund

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See accompanying notes to supplementary information.

**NOTE 1 - PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in the Office of Education. 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 Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards includes the federal award activity of the Office of Education, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Office of Education has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2017.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 27,977,385
Add: Medi-Cal Billing spent from prior year awards	93.778	<u>40,872</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 28,018,257</u>

C - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

D - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the Office of Education's financial condition over the past three years and its anticipated condition for the 2017-18 fiscal year, as required by the State Controller's Office.

**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

E - Schedule of Charter Schools

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

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 required certain disclosure in the financial statements of County Offices which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2017, the Office of Education did not adopt such a program.

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

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

**Report on Compliance with State Laws and Regulations**

We have audited El Dorado County Office of Education's compliance with the types of compliance requirements described in the State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2017.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	No, see below
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General requirements	No, see below
After school	No, see below
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Immunizations	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(Continued)

The County Office did not have any Kindergarten's continuance, therefore we did not perform any testing of Kindergarten Continuance.

The County Office's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

The County Office does not operate Continuation Education, therefore, we did not perform any testing of Continuation Education.

We did not perform any procedures related to Ratio of Administrative Employees to Teachers as the ratio does not apply to County Offices of Education.

We did not perform any procedures related to Classroom Teacher Salaries or K-3 Grade Span Adjustment as this does not apply to County Offices of Education.

The County Office did not expend any Educator Effectiveness or California Clean Energy Job Acts funds in the current year; therefore, we did not perform perform procedures.

The County Office did not offer an Early Retirement Incentive Program; therefore, we did not perform perform procedures.

The County Office did not operate an After or Before School Education and Safety Program, Middle or Early College High schools or an Independent Study-Course Based program; therefore, we did not perform any procedures for After or Before School Education and Safety Program, Middle or Early College High Schools or Independent Study-Course Based.

The County Office submitted all required immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to this requirement.

The County Office did not receive Charter Facilities Grant funding in the current year; therefore, we did not perform procedures.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on El Dorado County Office of Education's compliance with state laws and regulations as listed above 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 State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on El Dorado County Office of Education's compliance with the 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 on compliance with state laws and regulations. However, our audit does not provide a legal determination of El Dorado County Office of Education's compliance.

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(Continued)

***Opinion with Compliance with State Laws and Regulations***

In our opinion, El Dorado County Office of Education complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2017.

**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 State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 14, 2017

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2017, 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 14, 2017.

#### **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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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(Continued)

## 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 over financial reporting 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.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 14, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE

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, 2017. 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 federal statutes, regulations, and the terms and conditions of its 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 a 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, 2017.

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(Continued)

## **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 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.

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

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

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

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 14, 2017

## **FINDINGS AND RECOMMENDATIONS**

EL DORADO COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2017

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SECTION I - SUMMARY OF AUDITORS' RESULTS

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 840,548

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**STATE AWARDS**

Type of auditors' report issued on compliance for state programs: Unmodified

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

EL DORADO COUNTY OFFICE OF EDUCATION  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2017

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>County Office Explanation If Not Implemented</u>
<b>2016-001</b>	Implemented.	
<u>Condition:</u> 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.		
<u>Recommendation:</u> 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.		