

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM

FINANCIAL STATEMENTS

June 30, 2018

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2018

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Central Sierra Regional Occupational Program
Placerville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Central Sierra Regional Occupational Program, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Central Sierra Regional Occupational Program'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, the major fund and the aggregate remaining fund information of Central Sierra Regional Occupational Program, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(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 3 to 9 and the General Fund Budgetary Comparison Schedule, Schedule of the CSROP 's Proportionate Share of the Net Pension Liability, and Schedule of the CSROP's Contributions on pages 31 to 33 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 the Central Sierra Regional Occupational Program's basic financial statements. The accompanying 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 supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 on our consideration of Central Sierra Regional Occupational Program'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 Central Sierra Regional Occupational Program's internal control over financial reporting and compliance.

Crowe LLP
Crowe LLP

Sacramento, California
November 29, 2018

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM

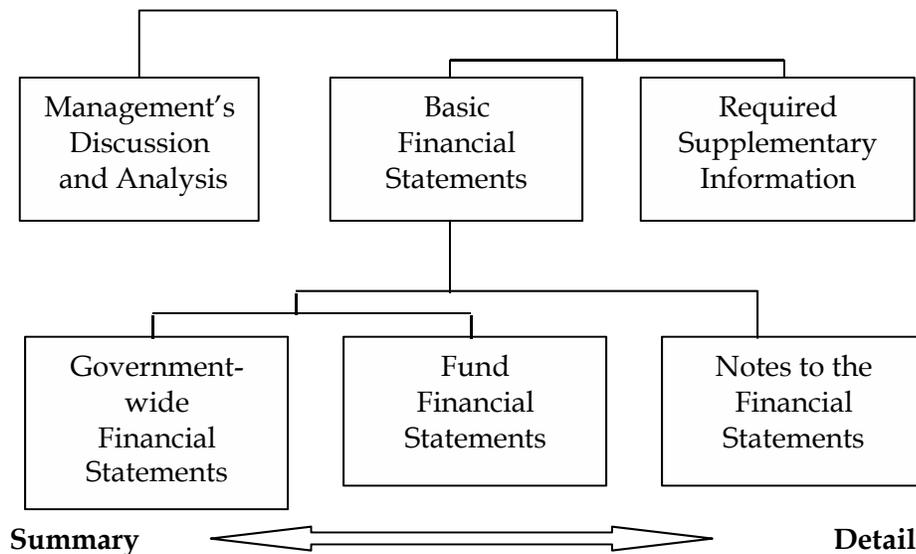
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Components of the Financial Section



The first two statements are the *Government-Wide Financial Statements*, Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole CSROP, presenting both an aggregate view of the CSROP's finances and a longer-term view of those finances. Fund financial statements tell how services were financed in the short-term as well as what remains for future spending. A comparison of the CSROP's general fund budget is included.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

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

Reporting the CSROP as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the CSROP as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the CSROP's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the CSROP as a whole and its activities in a way that helps answer the question, "How did we do financially during 2017-2018?"

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

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

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the CSROP's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the CSROP's most significant funds - not the CSROP as a whole. Funds are accounting devices the CSROP uses to keep track of specific sources of funding and spending on particular programs.

➤ **Governmental Funds**

Most of the CSROP's activities are reported in governmental funds. The only governmental fund of the CSROP is the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the CSROP'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 CSROP's programs.

➤ **Fiduciary Funds**

The CSROP is the trustee, or fiduciary, for its student scholarship funds. All of the CSROP's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the CSROP's other financial statements because the CSROP cannot use these assets to finance its operations. The CSROP is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The CSROP as a Whole

The CSROP's net position was a deficit \$433 thousand at June 30, 2018. A comparative analysis of government-wide data is presented in Table 1.

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

	Governmental Activities	
	2018	2017
ASSETS		
Cash	\$ 200,007	\$ 233,556
Receivables	-	30,350
	<u>200,007</u>	<u>263,906</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred inflows on pensions	170,234	81,131
	<u>170,234</u>	<u>81,131</u>
LIABILITIES		
Accounts payable and other current liabilities	6,950	20,018
Net pension liability	574,000	519,000
	<u>580,950</u>	<u>539,018</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred outflows on pensions	222,000	271,000
	<u>222,000</u>	<u>271,000</u>
NET POSITION		
Unrestricted	(432,709)	(464,981)
	<u>(432,709)</u>	<u>(464,981)</u>
Total net position (deficit)	<u>\$ (432,709)</u>	<u>\$ (464,981)</u>

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The CSROP's net position increased \$32 thousand this fiscal year (See Table 2). The CSROP's expenses for instructional and pupil services represented 93% of total expenses. Transfers to member Districts to be used for educational purposes accounted for 3% of total expenses. The administrative activities of the CSROP accounted for 4% of total costs.

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

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
REVENUES		
Program revenues - operating grants and contributions	\$ 33,624	\$ 25,339
Interest and investment earnings	1,734	1,416
Interagency revenues	369,445	407,418
Miscellaneous	<u>18,635</u>	<u>18,716</u>
Total revenues	<u>423,438</u>	<u>452,889</u>
EXPENSES		
Instruction	363,828	526,903
General administration	16,511	28,500
Other Outgo	<u>10,827</u>	<u>17,279</u>
Total expenses	<u>391,166</u>	<u>572,682</u>
Decrease in net position	<u>\$ 32,272</u>	<u>\$ (119,793)</u>

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

Governmental Activities

As reported in the Statement of Activities the cost of all of the CSROP's governmental activities this year was \$423 thousand. Interest income and other state sources totaled \$2 thousand. CSROP Apportionment had \$369 thousand, and Grants and Contributions totaled \$34 thousand, or 87% and 8 % of the total revenue.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The CSROP's General fund statements provide information on inflows and outflows and balances of available resources. The General Fund reported a fund balance of \$193 thousand, a decrease of \$51 thousand from the previous fiscal year's ending balance of \$244 thousand.

General Fund Budgetary Highlights

Over the course of the year, the CSROP revised the annual operating budget monthly. 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 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, budget revisions to expend prior year carryover and adjustments between expenditure categories for program budgets.

FACTORS BEARING ON THE CSROP'S FUTURE

The ROC/P funding stream was eliminated in the implementation of the Local Control Funding Formula (LCFF) in 2012-2013. The legislation that imposed a maintenance-of-effort requirement in which local educational agencies expend at least as much as was spent for ROC/P purposes in the 2013-2014 fiscal year, expired at the end of 2014-2015. In addition, the legislation that also required that local educational agencies that passed through funds to ROC/P JPAs, continue to pass through funds to those agencies expired in 2014-2015.

Despite the expiration of the ROC/P legislative requirements, it is the goal of the Central Sierra Regional Occupational Program Joint Powers Authority (JPA) that all El Dorado County students, eligible and requesting regional occupational program (ROP) services, receive an appropriate program without regard to the district of residence. It is the intent of the JPA that ROP programs be coordinated and operated throughout the County in accordance with the governance structure of the JPA.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The future predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The CSROP has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE CSROP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the CSROP's finances and to show the CSROP's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Robbie Montalbano, Chief Administration Officer, Central Sierra Regional Occupational Program (530) 622-7130, 6767 Green Valley Road, Placerville, CA 95667.

BASIC FINANCIAL STATEMENTS

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash (Note 2)	\$ <u>200,007</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows on pensions	<u>170,234</u>
LIABILITIES	
Accounts payable and other current liabilities	6,950
Net pension liability (Note 3)	<u>574,000</u>
Total liabilities	<u>580,950</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows on pensions	<u>222,000</u>
NET POSITION	
Unrestricted	<u>\$ (432,709)</u>

See accompanying notes to the financial statements

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2018

	<u>Expense</u>	<u>Program revenues Operating Grants and Contributions Revenue</u>	<u>Net (expense) Revenue and Changes in Net Position</u>
Governmental activities:			
Instruction	\$ 363,828	\$ 33,624	\$ (330,204)
General administration:			
All other general administration	16,511	-	(16,511)
Other outgo	<u>10,827</u>	<u>-</u>	<u>(10,827)</u>
Total governmental activities	<u>\$ 391,166</u>	<u>\$ 33,624</u>	<u>(357,542)</u>
General revenues:			
Interest and investment earnings			1,734
Interagency revenues			369,445
Miscellaneous			<u>18,635</u>
Total general revenues			<u>389,814</u>
Change in net position			32,272
Net position, July 1, 2017			<u>(464,981)</u>
Net position, June 30, 2018			<u>\$ (432,709)</u>

See accompanying notes to the financial statements

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
BALANCE SHEET
GENERAL FUND
June 30, 2018

	<u>General Fund</u>
ASSETS	
Cash	\$ <u>200,007</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 6,950
Fund balances:	
Unassigned	<u>193,057</u>
Total liabilities and fund balances	<u>\$ 200,007</u>

See accompanying notes to the financial statements

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balance - governmental funds \$ 193,057

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

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, 2018 consisted of (Note 3):

Net pension liability (574,000)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Note 3).

Deferred outflows of resources relating to pensions	\$ 170,234	
Deferred inflows of resources relating to pensions	<u>(222,000)</u>	<u>(51,766)</u>

Total net position - governmental activities \$ (432,709)

See accompanying notes to the financial statements

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND
For The Fiscal Year Ended June 30, 2018

	<u>General Fund</u>
Revenues:	
Other state revenue	\$ 27,624
Other local revenue	<u>389,813</u>
Total revenues	<u>417,437</u>
Expenditures:	
Certificated salaries	322,921
Employee benefits	106,445
Contract services and operating expenditures	28,075
Other outgo	<u>10,827</u>
Total expenditures	<u>468,268</u>
Excess of expenditures over revenues	(50,831)
Fund balances, July 1, 2017	<u>243,888</u>
Fund balances, June 30, 2018	<u>\$ 193,057</u>

See accompanying notes to the financial statements

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Fiscal Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds \$ (50,831)

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

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: 83,103

Change in net position governmental activities \$ 32,272

See accompanying notes to the financial statements

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2018

	Private Purpose Trust Fund <u>Scholarship Fund</u>
ASSETS	
Cash (Note 2)	\$ <u>24,348</u>
NET POSITION	
Held in trust for student financial assistance	\$ <u>24,348</u>

See accompanying notes to the financial statements

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For The Fiscal Year Ended June 30, 2018

	Private Purpose Trust Fund <u>Scholarship Fund</u>
ADDITIONS	
Interest	\$ 275
Fund balances, July 1, 2017	<u>24,073</u>
Fund balances, July 30, 2018	<u>\$ 24,348</u>

See accompanying notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Sierra Regional Occupational Program (CSROP) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the (CSROP) conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

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

The Central Sierra Regional Occupational Program was formed by a joint powers agreement among the following School CSROP's:

- Black Oak Mine Unified School CSROP
- El Dorado Union High School CSROP
- Lake Tahoe Unified School CSROP

The purpose of the CSROP is to provide entry-level occupational training to youths and adults residing in the districts that formed the joint powers entity. The CSROP is an entity separate and distinct from each of its participant districts. The Regional Occupational Program has the responsibility to develop, oversee, and evaluate the course material presented.

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

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. 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 Changes 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 CSROP's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the CSROP's general revenues.

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the CSROP 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. CSROP resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each major fund is presented in a separate column. The CSROP reports the following major fund:

General Fund is the general operating fund of the CSROP. It is used to account for all financial resources except those required to be accounted for in another fund.

Private Purpose Trust Fund - is used to account for assets held by the CSROP as trustee for individuals, private organizations or other governments and are therefore not available to support the CSROP's own programs. The CSROP maintains one private purpose trust fund, the Scholarship Fund, which is used to provide financial assistance to students of CSROP. The fund is reported using the economic resources measurement focus and the modified accrual basis of accounting.

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

Revenues - Exchange and Non-exchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the CSROP, "available" means collectible within the current period or within 60 days after year-end.

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

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 CSROP has recognized a deferred outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Positions.

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 CSROP has recognized a deferred inflow of resources related to the recognition of the net 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 State Teachers' Retirement Plan (STRP) and additions to/deductions from STRP's fiduciary net position have been determined on the same basis as they are reported by STRP. 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>
Deferred outflows of resources	\$ <u>170,234</u>
Deferred inflows of resources	\$ <u>222,000</u>
Net pension liability	\$ <u>574,000</u>
Pension expense	\$ <u>(4,245)</u>

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the CSROP's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The CSROP's governing board satisfied these requirements. These budgets are revised by the CSROP's Governing Board and Program Director during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information in the financial statements. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The CSROP employs budget control by minor object and by individual appropriation accounts.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Compensated Absences: All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The CSROP did not have unused vacation liabilities as of June 30, 2018.

Accumulated sick leave: Sick leave is not recognized as liabilities of the CSROP. The CSROP'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.

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.

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. At June 30, 2018, the CSROP had no nonspendable fund balances.

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 and fiduciary trust fund statements. At June 30, 2018, the CSROP had no restricted fund balances.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. 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. Formal action by the Governing Board is required to remove the commitment from fund balance. At June 30, 2018, the CSROP had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the CSROP's Governing Board has approved to be used for specific purposes, based on the CSROP's intent related to those specific purposes. The Governing Board can designate personnel with the authority to assign fund balances, however as of June 30, 2018 no such designation has occurred.

E - Unassigned Fund Balance:

In the General 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 General 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 General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balances - The CSROP's fund balances at June 30, 2018 consisted of the following:

	<u>General Fund</u>
Unassigned:	
Undesignated	\$ <u>193,057</u>

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The purpose of the CSROP'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 CSROP has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund or 4% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 200,007	\$ 24,348

Pooled Funds: In accordance with Education Code Section 41001, the CSROP maintains substantially all of its cash in the interest bearing El Dorado County Treasurer's Pooled Investment Fund. The CSROP is considered to be an involuntary participant in an external investment pool. The fair value of the CSROP's investment in the pool is reported in the financial statements at amounts based upon the CSROP's prorate 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: The CSROP 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, 2018, the CSROP did not have any funds in financial institutions.

Interest Rate Risk: The CSROP does not have 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, 2018, the CSROP had no significant interest rate risk related to cash and investments held.

Credit Risk: The CSROP does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The CSROP does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the CSROP had no concentration of credit risk.

(Continued)

NOTE 3 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the CSROP 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>.

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.

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. 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 2017-18.

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.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 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.

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 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, 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, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

*The Teachers' Retirement Board (the "Board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The CSROP contributed \$45,234 to the plan for the fiscal year ended June 30, 2018.

State – 9.328 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 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, 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 990 Benefit Structure</u>	<u>SBMA Funding (1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311% ⁽²⁾	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	⁽³⁾	2.50%	⁽³⁾
July 01, 2046 and thereafter	2.017%	⁽⁴⁾	2.50%	4.517% ⁽³⁾

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

(2) In May 2018 the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually 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.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

At June 30, 2018, the CSROP reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the CSROP. The amount recognized by the CSROP 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 CSROP were as follows:

CSROP's proportionate share of the net pension liability	\$ 574,000
State's proportionate share of the net pension liability associated with the CSROP	<u>340,000</u>
Total	<u>\$ 914,000</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The CSROP's proportion of the net pension liability was based on the CSROP's share of contributions to the pension plan relative to the contributions of all participating schools and the State. At June 30, 2017, the CSROP's proportion was 0.00062 percent, which was a decrease of 0.00002 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the CSROP recognized pension expense of \$(4,245) and revenue of \$33,624 for support provided by the State. At June 30, 2018, the CSROP 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 experience	\$ 2,000	\$ 10,000
Changes in assumptions	106,000	-
Net difference between projected and actual earnings on pension plan investments	-	15,000
Changes in proportion and differences between CSROP contributions and proportionate share of contributions	17,000	197,000
CSROP contributions made subsequent to measurement date	<u>45,234</u>	<u>-</u>
Totals	<u>\$ 170,234</u>	<u>\$ 222,000</u>

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$45,234 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, 2019. 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>		
2019	\$	(40,933)
2020	\$	(16,933)
2021	\$	(25,433)
2022	\$	(40,767)
2023	\$	7,233
2024	\$	19,833

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, 2017 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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

<u>Assumption</u>	<u>Measurement Period</u>	
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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 February 2017 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%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 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 (7.10 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.

(Continued)

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Sensitivity of the CSROP's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the CSROP 's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the CSROP's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
CSROP's proportionate share of the net pension liability	<u>\$ 843,000</u>	<u>\$ 574,000</u>	<u>\$ 356,000</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 4 - JOINT POWER AGREEMENTS

Schools Insurance Authority: The CSROP is a member with school districts of a Joint Powers Authority, Schools Insurance Authority (SIA), for the operation of a common risk management and insurance program for property and liability coverage. 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 in the prior year.

The following is a summary of financial information for SIA at June 30, 2017 (most recent):

Total assets	\$ 142,030,687
Total liabilities	68,147,857
Total net position	73,882,830
Total revenues	54,917,755
Total expenses	47,903,083
Change in net position	7,014,672

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

NOTE 5 - CONTINGENCIES

The CSROP 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 CSROP.

The CSROP has received state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determine will not have a material effect on the CSROP's financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For The Fiscal Year Ended June 30, 2018

	<u>Budget</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Other state revenue	\$ 22,225	\$ 27,624	\$ 27,624	\$ -
Other local revenue	<u>424,080</u>	<u>389,813</u>	<u>389,813</u>	<u>-</u>
Total revenues	<u>446,305</u>	<u>417,437</u>	<u>417,437</u>	<u>-</u>
Expenditures:				
Certificated salaries	329,983	322,921	322,921	-
Employee benefits	103,365	106,445	106,445	-
Books and supplies	1,000	-	-	-
Contract services and expenditures	29,768	28,075	28,075	-
Other outgo	<u>18,889</u>	<u>10,827</u>	<u>10,827</u>	<u>-</u>
Total expenditures	<u>483,005</u>	<u>468,268</u>	<u>468,268</u>	<u>-</u>
Excess of expenditures over revenues	(36,700)	(50,831)	(50,831)	-
Fund balances - July 1, 2017	<u>243,888</u>	<u>243,888</u>	<u>243,888</u>	<u>-</u>
Fund balances - June 30, 2018	<u>\$ 207,188</u>	<u>\$ 193,057</u>	<u>\$ 193,057</u>	<u>\$ -</u>

See accompanying notes to required supplementary information.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
SCHEDULES OF THE CSROP'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
For The Fiscal Year Ended June 30, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
CSROP's proportion of the net pension liability	0.0011%	0.00081%	0.00064%	0.00062%
CSROP's proportionate share of the net pension liability	\$ 584,370	\$ 481,128	\$ 519,000	\$ 574,000
States proportionate share of the net pension Liability with the CSROP	<u>351,000</u>	<u>289,000</u>	<u>296,000</u>	<u>340,000</u>
Total net pension liability	<u>\$ 935,370</u>	<u>\$ 770,128</u>	<u>\$ 815,000</u>	<u>\$ 914,000</u>
CSROP's covered-employee payroll	505,612	376,000	320,000	319,000
CSROP's proportionate share of the net pension liability as a percentage of its covered payroll	115.58%	127.96%	162.19%	179.94%
Plan fiduciary net position as a percentage of the total pension liability	77%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 SCHEDULE OF THE CSROP'S CONTRIBUTIONS
 For The Fiscal Year Ended June 30, 2018

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 41,713	\$ 34,343	\$ 40,131	\$ 45,234
Contributions in relation to the contractually Required contribution	<u>(41,713)</u>	<u>(34,343)</u>	<u>(40,131)</u>	<u>(45,234)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CSROP's covered-employee payroll	376,000	320,000	319,000	313,000
Contributions as a percentage of covered payroll	11.09%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 For The Fiscal Year Ended June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The CSROP employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of the CSROP's Proportionate Share of the Net Pension Liability

The Schedule of the CSROP's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the CSROP'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.

C - Schedule of the CSROP's Contributions

The Schedule of the CSROP's Contributions is presented to illustrate the CSROP'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.

D - Change of Benefit Terms

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

E - Changes of Assumptions

The discount rate for Public Employer's Retirement Plan B was 7.50, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015 and 2016 actuarial reports, respectively.

The following are assumptions for the State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>		
	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
PLACERVILLE, CALIFORNIA
ORGANIZATION/GOVERNING BOARD
For The Fiscal Year Ended June 30, 2018

ORGANIZATION

The Regional Occupation Program was established in 1983 under a joint powers agreement for the purpose of providing occupational training for the following El Dorado County School Regional Occupational Programs.

Central Sierra Governing Board

<u>Name</u>	<u>Participating CSROP</u>
Dr. James Tarwater	Lake Tahoe Unified
Jeremy Meyers	Black Oak Mine Unified
Stephen Wehr	El Dorado Union High

ADMINISTRATION

Robbie Montalbano, Chief Administrative Officer

Kevin Monsma, CSROP Director

See accompanying notes to supplementary information.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018

There were no adjustments proposed to any funds of the CSROP.

See accompanying notes to supplementary information.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For The Fiscal Year Ended June 30, 2018
 (UNAUDITED)

	(Budget) 2019	2018	2017	2016
<u>General Fund</u>				
Revenues and other financial sources	\$ 428,666	\$ 417,437	\$ 446,888	\$ 395,209
Expenditures (Total outgo)	<u>500,334</u>	<u>468,268</u>	<u>533,391</u>	<u>584,656</u>
Change in fund balance	<u>(71,668)</u>	<u>(50,831)</u>	<u>(86,503)</u>	<u>(189,447)</u>
Ending fund balance	<u>\$ 121,389</u>	<u>\$ 193,057</u>	<u>\$ 243,888</u>	<u>\$ 330,391</u>
Available reserves	<u>\$ 121,389</u>	<u>\$ 193,057</u>	<u>\$ 243,888</u>	<u>\$ 330,391</u>
Designated for economic uncertainties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,855</u>	<u>\$ 20,574</u>
Undesignated fund balance	<u>\$ 121,389</u>	<u>\$ 193,057</u>	<u>\$ 211,033</u>	<u>\$ 309,817</u>
<u>Total Funds</u>				
Long-term liabilities	<u>\$ 574,000</u>	<u>\$ 574,000</u>	<u>\$ 519,000</u>	<u>\$ 481,128</u>
Available reserves as a percentage of total outgo	24.3%	41.2%	45.7%	56.5%
Average daily attendance at P-2	N/A	N/A	N/A	N/A

The General Fund balance has decreased by \$326,781 over the past three years. The fiscal year 2017-2018 budget projects a decrease of \$71,668.

The CSROP has incurred an operating deficits in each the past three years, and anticipates an operating deficit in fiscal year 2017-2018 .

Total long-term liabilities have increased by \$92,872 over the past two years.

See accompanying notes to supplementary information.

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
NOTES TO SUPPLEMENTARY INFORMATION
For The Fiscal Year Ended June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

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

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

B - Schedule of Financial Trends and Analysis – Unaudited

This schedule provides trend information on fund balances, revenues, expenditures and average daily attendance, as required by the State Controller's Office.

OTHER INDEPENDENT AUDITOR'S REPORT SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Governing Board
Central Sierra Regional Occupation Program
Placerville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Central Sierra Regional Occupation Program, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Central Sierra Regional Occupation Program's basic financial statements and have issued our report thereon dated November 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Sierra Regional Occupation Program'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 Central Sierra Regional Occupation Program's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Sierra Regional Occupation Program's internal control.

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
November 29, 2018

FINDINGS AND RECOMMENDATIONS

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	__ Yes <u>X</u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__ Yes <u>X</u> None reported
Noncompliance material to financial statements noted?	__ Yes <u>X</u> No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

CENTRAL SIERRA REGIONAL OCCUPATIONAL PROGRAM
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
June 30, 2018

No matters were reported