

EL DORADO COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENTS

June 30, 2019

EL DORADO COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

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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, 2019, 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, 2019, 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.

(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 Changes in the County Office's Total Other Postemployment Benefits (OPEB) Liability, Schedule of the County Office's Proportionate Share of the Net Pension Liability, and Schedule of the County Office's Contributions on pages 48 to 54 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.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 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 LLP

Crowe LLP

Sacramento, California
January 31, 2020

**EL DORADO COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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, 2019. 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.

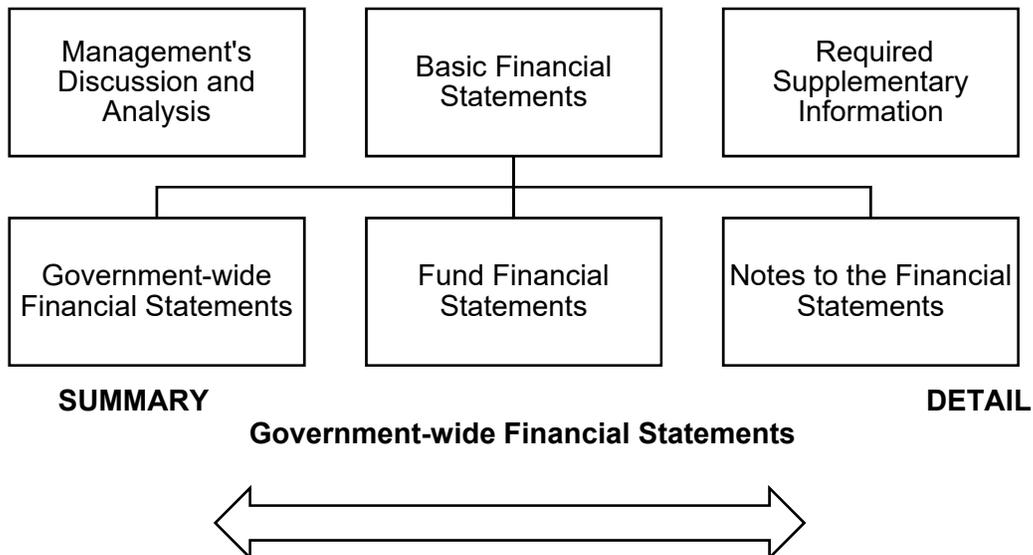
FINANCIAL HIGHLIGHTS

- The County Office's net position increased overall as a result of this year's operations.
- Revenues for governmental activities were about \$224.1 million and expenses were about \$221.2 million.
- Capital assets, net of accumulated depreciation, increased by about \$607 thousand.
- The County Office increased its outstanding long-term liabilities by \$2.5 million. This was primarily due to the net pension liability.
- Average daily attendance (ADA) increased by 93, or 8%.

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



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 2018-2019?"

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, child development programs 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 of 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 foundation scholarship accounts and the Sugarloaf fine arts camp trust fund. The County Office acts as an agent for cash belonging to others that is accounted for in the agency funds: the student body fund and the warrant/pass-through fund, used for clearing payroll warrants and withholdings, clearing accounts payable warrants, and the pass-through of resources to charter schools. 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, 2019 than it was the year before, increasing from \$(585) thousand to \$2.3 million for governmental activities (see Table 1). The increase is primarily a net result of special education funds received and held for future distribution to members of the Special Education Local Plan Area (SELPA) and the changes in net pension liabilities and deferred outflows on pensions. The unrestricted net position was a deficit \$31.0 million.

Table 1
Comparative Statement of Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Net Change	2019	2018	Net Change
Assets						
Current and other assets	\$71,812,896	\$44,942,498	\$ 26,870,398	\$ 835,647	\$ 826,964	\$ 8,683
Capital assets	11,877,993	11,271,247	606,746	16,756	17,990	(1,234)
Total assets	83,690,889	56,213,745	27,477,144	852,403	844,954	7,449
Deferred outflows of resources						
Deferred outflows on OPEB and pensions	15,567,167	16,667,583	(1,100,416)	700,009	741,690	(41,681)
Liabilities						
Current liabilities	39,247,079	18,107,113	21,139,966	198,289	188,780	9,509
Long-term liabilities	55,024,258	52,504,942	2,519,316	2,619,834	2,380,814	239,020
Total liabilities	94,271,337	70,612,055	23,659,282	2,818,123	2,569,594	248,529
Deferred inflows of resources						
Deferred inflows on pensions	2,680,754	2,853,905	(173,151)	51,246	70,095	(18,849)
Net position						
Net investment in capital assets	11,877,993	11,271,247	606,746	16,756		
Restricted	21,459,436	18,161,845	3,297,591	5,750		
Unrestricted	(31,031,464)	(30,017,724)	(1,013,740)	(1,339,464)	(1,053,045)	(286,419)
Total net position	\$ 2,305,965	\$ (584,632)	\$ 2,890,597	\$(1,316,957)	\$(1,053,045)	\$ (286,419)

Changes in net position, governmental activities

The County Office's total revenues increased 22% to \$224.1 million and expenses increased 16% to \$221.2 million (see Table 2).

Table 2
Comparative Statement of Change in Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Net Change	2019	2018	Net Change
Revenues						
Program revenues:						
Charges for services	\$ 4,452,854	\$ 4,513,011	\$ (60,157)	\$ 2,798,163	\$ 2,660,073	\$ 138,090
Operating grants and contributions	189,801,564	153,344,075	36,457,489		-	-
Capital grants and contributions	-	(632,010)	632,010			
Total program revenues	194,254,418	157,225,076	37,029,342	2,798,163	2,660,073	138,090
General revenues:						
Property taxes	7,786,643	7,469,787	316,856			
Federal and state aid - unrestricted	12,824,051	12,328,751	495,300			
Other	9,242,300	6,530,132	2,712,168	10,162	5,591	4,571
Total general revenues	29,852,994	26,328,670	3,524,324	10,162	5,591	4,571
Total revenues	224,107,412	183,553,746	40,553,666	2,808,325	2,665,664	142,661
Expenses						
Instruction	25,299,516	24,665,859	633,657			
Instruction-related services	13,764,328	14,059,083	(294,755)			
Pupil services	8,643,404	8,485,215	158,189			
General administration	9,482,077	9,327,446	154,631			
Plant services	2,627,831	3,164,969	(537,138)			
Ancillary services	266,017	263,521	2,496			
Community services	2,405,775	1,960,066	445,709			
Enterprise activities	298,686	317,477	(18,791)	3,072,237	2,948,727	123,510
Other outgo	158,429,181	128,244,592	30,184,589			
Total expenses	221,216,815	190,488,228	30,728,587	3,072,237	2,948,727	123,510
Change in net position	\$ 2,890,597	\$ (6,934,482)	\$ 9,825,079	\$ (263,912)	\$ (283,063)	\$ 19,151

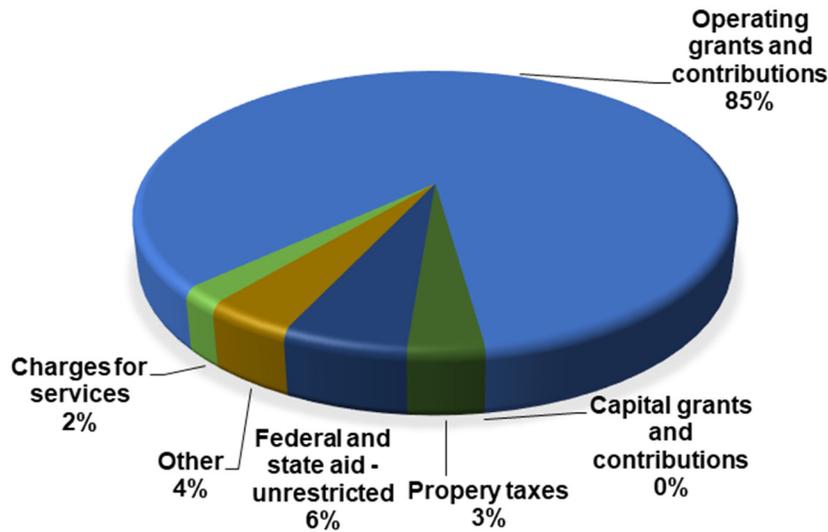
The most significant changes resulted from the following:

- A \$32.3 million increase in SELPA pass-through revenues and a \$30.3 million increase in transfers of SELPA pass-through revenues to districts or charter schools.
- An increase of \$2.0 million in revenue and corresponding expenditures for the county office's share of payments made by the state to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of local educational agencies.
- An increase of \$3.3 million in expenditures for the difference between accrual-basis pension costs and actual employer contributions.

Governmental Activities

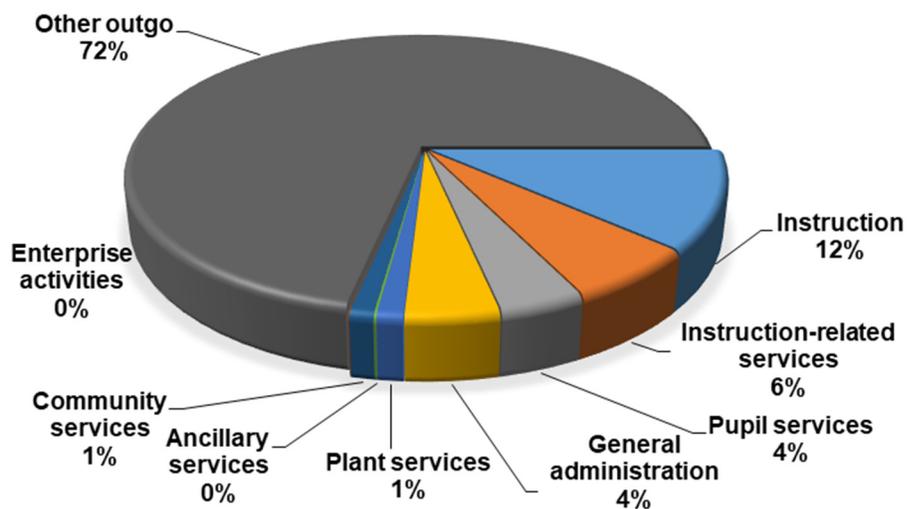
Of the \$224 million in revenue for governmental activities, the main revenue sources of the County Office are operating grants and contributions providing over 80% of funding (see Figure 1).

Figure 1
Sources of Revenue for the Fiscal Year 2018-2019



The cost of all of the County Office governmental activities this year was \$221 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 2018-2019



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 \$32.6 million, an increase of \$5.5 million from the previous fiscal year's combined ending balance. This change resulted primarily from an increase in the County School Service Fund (\$2.3 million), an increase in the Special Education Pass-Through Fund (\$1.5 million), and an increase in the Special Reserve for Capital Outlay Projects Fund (\$1.5 million).

Changes in the governmental funds are detailed as follows:

	Non-Major Governmental Funds						
	County School Service Fund	Special Education Pass-Through Fund	Adult Education	Child Development	Deferred Maintenance	Forest Reserve	Special Reserve for Capital Outlay Projects
Revenues and Sources	\$ 58,749,439	\$ 159,473,377	\$ 550,497	\$ 4,605,924	\$ 191,867	\$ 608,934	\$ 1,544,944
Expenditures and Uses	(56,459,888)	(157,920,011)	(563,094)	(4,563,588)	(95,287)	(610,394)	(50,088)
Net change in fund balances	2,289,551	1,553,366	(12,597)	42,336	96,580	(1,460)	1,494,856
Fund balances, July 1, 2018	12,667,397	7,352,734	119,719	8,426	1,702,325	2,308	5,250,276
Fund balances, June 30, 2019	14,956,948	8,906,100	107,122	50,762	1,798,905	848	6,745,132

The County School Service Fund is the County Office's primary operating fund. The County Office ended the year with \$15.0 million in the County School Service Fund ending balance, of which \$1.7 million is categorized by the County Office as a reserve for economic uncertainties. The remaining balance is made up of restricted 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.

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.
- Budget revisions to update expenditures for settled labor negotiations.
- Other routine budget revisions including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories.

The original budget for the County School Service Fund reflected a net increase to the ending balance of \$1.2 million and the final revised budget reflected a net increase of \$1.6 million. This change resulted primarily from a reduction in the transfer from the General Fund to the Child Development Fund to support the State Preschool program. The change from the final revised budget to actual resulted primarily from savings in various programs and project delays.

CAPITAL ASSET AND DEBT ADMINISTRATION

By the end of the 2018-2019 fiscal year, the County Office had invested \$24.1 million in capital assets, including school buildings, administrative buildings, site improvements, vehicles and equipment. This amount represents an increase of \$1.4 million for playgrounds, child development program building improvements, clean energy building improvements, vehicles, and technology equipment. These increases were offset by disposals of assets and depreciation expense, ending the year with capital assets net of depreciation of \$11.9 million (see Table 3).

Table 3
Comparative Schedule of Capital Assets
(Net of depreciation)
June 30, 2019 and 2018

	2019	2018	Net Change
Land	\$ 748,482	\$ 748,482	\$ -
Site Improvements	309,807	71,449	238,358
Buildings	8,719,476	8,729,188	(9,712)
Machinery and Equipment	1,654,499	1,740,118	(85,619)
Work in Progress	462,485	-	462,485
Totals	<u>\$11,894,749</u>	<u>\$11,289,237</u>	<u>\$ 605,512</u>

LONG-TERM LIABILITIES

At June 30, 2019, the County Office had \$58 million in long-term liabilities, including its proportionate share of the net pension liability for CalSTRS and CalPERS (see Table 4).

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2019 and 2018

	2019	2018	Net Change
Net Pension Liability	\$57,276,000	\$54,665,000	\$ 2,611,000
Total OPEB Liability	93,822	220,756	(126,934)
Compensated Absences	274,270	267,800	6,470
Totals	<u>\$57,644,092</u>	<u>\$55,153,556</u>	<u>\$ 2,490,536</u>

Amounts due to employees for vacation earned, but not yet used, is 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. Fiscal health is, and will continue to be, important to our organization as it allows us to focus on achievement and continuous growth for the students in El Dorado County.

Local Control Funding Formula

California's new school funding formula, the Local Control Funding Formula (LCFF) was enacted in 2013. Some County Office programs reached their target rate funding level in two years. Grade-level funded County Office Charter Schools received the final portion of gap funding for LCFF implementation in 2018-2019. 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 student population changes, economic conditions, as well as political decisions and the Legislature. Future cost of living adjustments (COLA) are projected at low levels in upcoming years and the Governor and the Department of Finance continue to remind educational agencies that an economic downturn is inevitable and would negatively affect school funding.

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 with limited 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, 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 Diane Lacombe, Senior Director, Internal Business Services, 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, 2019

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 32,648,982	\$ 320,779	\$ 32,969,761
Receivables	38,545,479	513,246	39,058,725
Due from (to) other funds (Note 3)	(1,622)	1,622	-
Stores inventory	30,740	-	30,740
Prepaid expenses	589,317	-	589,317
Non-depreciable capital assets (Note 4)	1,210,967	-	1,210,967
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>10,667,026</u>	<u>16,756</u>	<u>10,683,782</u>
Total assets	<u>83,690,889</u>	<u>852,403</u>	<u>84,543,292</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources - pensions (Notes 7 and 8)	<u>15,567,167</u>	<u>700,009</u>	<u>16,267,176</u>
Total deferred outflows	<u>15,567,167</u>	<u>700,009</u>	<u>16,267,176</u>
LIABILITIES			
Accounts payable	38,044,546	176,795	38,221,341
Unearned revenue	1,202,533	21,494	1,224,027
Long-term liabilities (Note 5):			
Due within one year	262,218	12,052	274,270
Due after one year	<u>54,762,040</u>	<u>2,607,782</u>	<u>57,369,822</u>
Total liabilities	<u>94,271,337</u>	<u>2,818,123</u>	<u>97,089,460</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>2,680,754</u>	<u>51,246</u>	<u>2,732,000</u>
NET POSITION			
Investment in capital assets	11,877,993	16,756	11,894,749
Restricted:			
Legally restricted programs	12,915,399	-	12,915,399
Capital projects	6,745,132	-	6,745,132
Unrestricted	<u>(29,232,559)</u>	<u>(1,333,713)</u>	<u>(30,566,272)</u>
Total net position	<u>\$ 2,305,965</u>	<u>\$ (1,316,957)</u>	<u>\$ 989,008</u>

See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	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	\$ 25,299,516	\$ 345,733	\$ 18,253,657	\$ -	\$ (6,700,126)	\$ -	\$ (6,700,126)
Instruction-related services:							
Supervision of instruction	9,711,308	121,220	6,510,443	-	(3,079,645)	-	(3,079,645)
School site administration	4,053,020	31,308	1,572,331	-	(2,449,381)	-	(2,449,381)
Pupil services:							
Home-to-school transportation	3,266,287	73	122,580	-	(3,143,634)	-	(3,143,634)
Food services	324,578	4,682	314,783	-	(5,113)	-	(5,113)
All other pupil services	5,052,539	48,871	4,193,830	-	(809,838)	-	(809,838)
General administration:							
Centralized data processing	1,574,779	-	66,573	-	(1,508,206)	-	(1,508,206)
All other general administration	7,907,298	53,998	2,824,882	-	(5,028,418)	-	(5,028,418)
Plant services	2,627,831	29,430	1,023,698	-	(1,574,703)	-	(1,574,703)
Ancillary services	266,017	-	159	-	(265,858)	-	(265,858)
Community services	2,405,775	37,492	2,215,258	-	(153,025)	-	(153,025)
Enterprise activities	298,686	-	92,871	-	(205,815)	-	(205,815)
Other outgo	158,429,181	3,780,047	152,610,499	-	(2,038,635)	-	(2,038,635)
Total governmental activities	<u>221,216,815</u>	<u>4,452,854</u>	<u>189,801,564</u>	<u>-</u>	<u>(26,962,397)</u>	<u>-</u>	<u>(26,962,397)</u>
Business-Type Activities:							
Enterprise activities	<u>3,072,237</u>	<u>2,798,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(274,074)</u>	<u>(274,074)</u>
Total activities	<u>\$ 224,289,052</u>	<u>\$ 7,251,017</u>	<u>\$ 189,801,564</u>	<u>\$ -</u>	<u>(26,962,397)</u>	<u>(274,074)</u>	<u>(27,236,471)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes				7,761,226	-	7,761,226	
Taxes levied for other specific purposes				25,417	-	25,417	
Federal and state aid not restricted to specific purposes				12,824,051	-	12,824,051	
Interest and investment earnings				599,523	10,162	609,685	
Interagency revenues				1,314,032	-	1,314,032	
Miscellaneous				<u>7,328,745</u>	<u>-</u>	<u>7,328,745</u>	
Total general revenues				<u>29,852,994</u>	<u>10,162</u>	<u>29,863,156</u>	
Change in net position				2,890,597	(263,912)	2,626,685	
Net position, July 1, 2018				<u>(584,632)</u>	<u>(1,053,045)</u>	<u>(1,637,677)</u>	
Net position, June 30, 2019				<u>\$ 2,305,965</u>	<u>\$ (1,316,957)</u>	<u>\$ 989,008</u>	

See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>County School Service Fund</u>	<u>Special Education Pass-Through Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 11,541,548	\$ 12,776,017	\$ 8,328,467	\$ 32,646,032
Cash in revolving fund	2,950	-	-	2,950
Receivables	5,903,062	31,877,322	765,095	38,545,479
Stores inventory	30,740	-	-	30,740
Prepaid expenditures	589,317	-	-	589,317
Due from other funds	<u>16,923</u>	<u>12,255</u>	<u>1,327</u>	<u>30,505</u>
Total assets	<u>\$ 18,084,540</u>	<u>\$ 44,665,594</u>	<u>\$ 9,094,889</u>	<u>\$ 71,845,023</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,216,250	\$ 35,752,756	\$ 75,540	\$ 38,044,546
Unearned revenue	896,138	-	306,395	1,202,533
Due to other funds	<u>15,204</u>	<u>6,738</u>	<u>10,185</u>	<u>32,127</u>
Total liabilities	<u>3,127,592</u>	<u>35,759,494</u>	<u>392,120</u>	<u>39,279,206</u>
Fund balances:				
Nonspendable	623,007	-	-	623,007
Restricted	3,850,567	8,906,100	6,903,864	19,660,531
Committed	-	-	1,798,905	1,798,905
Assigned	8,800,252	-	-	8,800,252
Unassigned	<u>1,683,122</u>	<u>-</u>	<u>-</u>	<u>1,683,122</u>
Total fund balances	<u>14,956,948</u>	<u>8,906,100</u>	<u>8,702,769</u>	<u>32,565,817</u>
Total liabilities and fund balances	<u>\$ 18,084,540</u>	<u>\$ 44,665,594</u>	<u>\$ 9,094,889</u>	<u>\$ 71,845,023</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, 2019

Total fund balances - Governmental Funds \$ 32,565,817

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 \$24,148,706 and the accumulated depreciation is \$12,270,713 (Note 4). 11,877,993

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, 2019 consisted of (Note 5):

Net pension liability (Notes 7 and 8)	\$ (54,668,218)	
Total OPEB liability (Note 9)	(93,822)	
Compensated absences	<u>(262,218)</u>	
		(55,024,258)

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	\$ 15,567,167	
Deferred inflows of resources relating to pensions	<u>(2,680,754)</u>	
		<u>12,886,413</u>

Total net position - governmental activities \$ 2,305,965

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, 2019

	County School Service Fund	Special Education Pass-Through Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 9,556,293	\$ -	\$ -	\$ 9,556,293
Local sources	<u>9,478,348</u>	<u>-</u>	<u>-</u>	<u>9,478,348</u>
Total LCFF	<u>19,034,641</u>	<u>-</u>	<u>-</u>	<u>19,034,641</u>
Federal sources	10,140,949	26,759,281	1,257,567	38,157,797
Other state sources	14,658,735	132,650,915	2,765,158	150,074,808
Other local sources	<u>14,429,820</u>	<u>63,181</u>	<u>2,002,396</u>	<u>16,495,397</u>
Total revenues	<u>58,264,145</u>	<u>159,473,377</u>	<u>6,025,121</u>	<u>223,762,643</u>
Expenditures:				
Current:				
Certificated salaries	17,122,383	-	994,602	18,116,985
Classified salaries	13,503,554	-	1,216,372	14,719,926
Employee benefits	13,550,257	-	1,018,208	14,568,465
Books and supplies	1,709,763	-	286,881	1,996,644
Contract services and operating expenditures	7,915,670	-	1,209,028	9,124,698
Other outgo	11,700	157,920,011	497,470	158,429,181
Capital outlay	<u>1,169,516</u>	<u>-</u>	<u>174,596</u>	<u>1,344,112</u>
Total expenditures	<u>54,982,843</u>	<u>157,920,011</u>	<u>5,397,157</u>	<u>218,300,011</u>
Excess of revenues over expenditures	<u>3,281,302</u>	<u>1,553,366</u>	<u>627,964</u>	<u>5,462,632</u>
Other financing sources (uses):				
Transfers in	485,294	-	1,477,045	1,962,339
Transfers out	<u>(1,477,045)</u>	<u>-</u>	<u>(485,294)</u>	<u>(1,962,339)</u>
Total other financing sources (uses)	<u>(991,751)</u>	<u>-</u>	<u>991,751</u>	<u>-</u>
Net change in fund balances	2,289,551	1,553,366	1,619,715	5,462,632
Fund balances, July 1, 2018	<u>12,667,397</u>	<u>7,352,734</u>	<u>7,083,054</u>	<u>27,103,185</u>
Fund balances, June 30, 2019	<u>\$ 14,956,948</u>	<u>\$ 8,906,100</u>	<u>\$ 8,702,769</u>	<u>\$ 32,565,817</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, 2019

Net change in fund balances - Total Governmental Funds	\$	5,462,632
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).		1,395,479
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(788,733)
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 5, 7 and 8).		(3,271,066)
In the statement of activities, expenses related to total OPEB liability and compensated absences and are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 9).		<u>92,285</u>
Change in net position of governmental activities	\$	<u><u>2,890,597</u></u>

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, 2019

ASSETS

Current assets:	
Cash in County Treasury	\$ 320,779
Receivables	513,246
Due from other funds	1,622
Depreciable capital assets, net of accumulated depreciation	<u>16,756</u>
 Total assets	 <u>852,403</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions	<u>700,009</u>
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LIABILITIES

Current liabilities:	
Accounts payable	176,795
Unearned revenue	21,494
Compensated absences	<u>12,052</u>
 Total current liabilities	 210,341

Long-term liabilities:

Net pension liability	<u>2,607,782</u>
 Total liabilities	 <u>2,818,123</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions	<u>51,246</u>
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NET POSITION

Investment in capital assets	16,756
Unrestricted	<u>(1,333,713)</u>
 Net Position	 <u>\$ (1,316,957)</u>

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, 2019

Operating revenues:	
Fees	\$ 2,792,115
Other local sources	<u>6,048</u>
Total operating revenues	<u>2,798,163</u>
Operating expenses:	
Certificated salaries	51,274
Classified salaries	1,633,666
Employee benefits	741,155
Books and supplies	129,610
Services and other operating expenses	515,298
Depreciation	<u>1,234</u>
Total operating expenses	<u>3,072,237</u>
Operating loss	(274,074)
Non-operating revenue:	
Interest income	<u>10,162</u>
Change in net position	(263,912)
Net position, July 1, 2018	<u>(1,053,045)</u>
Net position, June 30, 2019	<u><u>\$ (1,316,957)</u></u>

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, 2019

Cash flows from operating activities:	
Cash received from fees	\$ 2,559,439
Cash paid for books and supplies	(129,610)
Cash paid for contract services	(490,960)
Cash paid for salaries and employee benefits	<u>(2,164,243)</u>
Net cash used in operating activities	<u>(225,374)</u>
Cash provided by investing activities:	
Interest income	<u>10,162</u>
Decrease in cash and investments	(215,212)
Cash and investments, July 1, 2018	<u>535,991</u>
Cash and investments, June 30, 2019	<u><u>\$ 320,779</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (274,074)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,234
Increase in receivables	(222,405)
Increase in due from other funds	(1,399)
Decrease in deferred outflow of resources	41,681
Increase in accounts payable	25,828
Decrease in due to other funds	(91)
Decrease in unearned revenue	(16,319)
Increase in net pension liability	226,968
Increase in compensated absences	12,052
Decrease in deferred inflow of resources	<u>(18,849)</u>
Net cash used in operating activities	<u><u>\$ (225,374)</u></u>

See accompanying notes to financial statements.

EL DORADO COUNTY OFFICE OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2019

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 36,735	\$ 5,855,610
Cash in bank	<u>-</u>	<u>16,271</u>
Total assets	<u>36,735</u>	<u>\$ 5,871,881</u>
LIABILITIES		
Accounts payable	\$ -	\$ 5,855,610
Due to student groups	<u>-</u>	<u>16,271</u>
Total liabilities	<u>\$ -</u>	<u>\$ 5,871,881</u>
NET POSITION		
Restricted for scholarships	<u>\$ 36,735</u>	

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, 2019

	Private Purpose <u>Trust Fund</u>
Additions:	
Other local revenues	\$ <u>2,642</u>
Deductions:	
Scholarships	<u>6,000</u>
Change in net position	(3,358)
Net position, July 1, 2018	<u>40,093</u>
Net position, June 30, 2019	<u><u>\$ 36,735</u></u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

El Dorado County Office of Education (the "County Office") 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 County Office 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 County Office's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the County Office'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 County Office's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the County Office's general revenues.

Allocation of indirect expenses: The County Office 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 County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 Special Reserve for Capital Outlay Projects Fund is a capital projects fund used to account for resources used for the acquisition of capital facilities by the County Office.

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

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

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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 County Office'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 County Office has determined that no allowance for doubtful accounts was needed as of June 30, 2019.

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 County Office has recognized a deferred outflow of resources relate to recognition of the net pension liability and total OPEB 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 County Office 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 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	<u>\$ 8,002,910</u>	<u>\$ 8,264,266</u>	<u>\$ 16,267,176</u>
Deferred inflows of resources	<u>\$ 2,176,000</u>	<u>\$ 556,000</u>	<u>\$ 2,732,000</u>
Net pension liability	<u>\$ 26,408,000</u>	<u>\$ 30,868,000</u>	<u>\$ 57,276,000</u>
Pension expense	<u>\$ 5,946,625</u>	<u>\$ 6,956,745</u>	<u>\$ 12,903,370</u>

(Continued)

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 are recorded as a liability of the County Office. 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 County Office 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 appropriate 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 County Office'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".

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)

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.

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 County Board of Education. 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.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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, 2019 consisted of the following:

	Governmental Funds	Proprietary Fund	Fiduciary Activities
ASSETS			
Pooled Fund:			
Cash in County Treasury	\$ 32,646,032	\$ 320,779	\$ 5,892,345
Deposits:			
Cash on hand and in banks	-	-	16,271
Cash in revolving fund	<u>2,950</u>	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 32,648,982</u>	<u>\$ 320,779</u>	<u>\$ 5,908,616</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (Continued)

Pooled Funds: In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the interest bearing El Dorado County Treasurer's Pooled Investment Fund. The County Office is considered to be an involuntary participant in an external investment pool. The fair value of the County Office's investment in the pool is reported in the financial statements at amounts based upon the County Office'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 County Office's deposits may not be returned. The County Office does not have a deposit policy for custodial credit risk. The County Office 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, 2019, the carrying amount of the County Office's accounts was \$19,221 and the bank balance was \$19,221, all of which was insured.

Interest Rate Risk: The County Office 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, 2019, the County Office had no significant interest rate risk related to cash and investments held.

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

Concentration of Credit Risk: The County Office does not place limits on the amount it may invest in any one issuer. At June 30, 2019, the County Office had no concentration of credit risk.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the County Office 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, 2019 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
County School Service	\$ 16,923	\$ 15,204
Special Education Pass-Through	12,255	6,738
Non-Major Funds:		
Adult Education	-	41
Child Development	1,327	236
Special Reserve for Capital Outlay Projects	-	9,908
Proprietary Fund:		
Enterprise	<u>1,622</u>	<u>-</u>
	<u>\$ 32,127</u>	<u>\$ 32,127</u>

Transfers: Transfers for the 2018-2019 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.	\$ 32,069
Transfer from the County School Service Fund to the Special Reserve for Capital Outlay Projects Service Fund for facilities.	1,444,976
Transfer from the Adult Education Fund to the County School Service Fund for indirect costs.	34,833
Transfer from the Child Development Fund to the County School Service Fund for indirect costs.	337,537
Transfer from the from the Forest Reserve Fund to the County School Service Fund for annual Forest Reserve allocation.	<u>112,924</u>
	<u>\$ 1,962,339</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2019 is shown below:

	Balance July 1, <u>2018</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2019</u>
Governmental Activities				
Non-depreciable:				
Land	\$ 748,482	\$ -	\$ -	\$ 748,482
Work in progress	-	462,485	-	462,485
Depreciable:				
Improvement of sites	448,754	254,006	-	702,760
Building	16,107,987	381,731	-	16,489,718
Machinery and equipment	<u>5,487,183</u>	<u>297,257</u>	<u>(39,179)</u>	<u>5,745,261</u>
Totals, at cost	<u>22,792,406</u>	<u>1,395,479</u>	<u>(39,179)</u>	<u>24,148,706</u>
Less accumulated depreciation:				
Improvement of sites	(377,305)	(15,648)	-	(392,953)
Building	(7,397,303)	(391,443)	-	(7,788,746)
Machinery and equipment	<u>(3,746,551)</u>	<u>(381,642)</u>	<u>(39,179)</u>	<u>(4,089,014)</u>
Total accumulated depreciation	<u>(11,521,159)</u>	<u>(788,733)</u>	<u>(39,179)</u>	<u>(12,270,713)</u>
Subtotal capital assets, net	<u>11,271,247</u>	<u>606,746</u>	<u>-</u>	<u>11,877,993</u>
Business-Type Activities				
Building, net of accumulated depreciation	<u>17,990</u>	<u>(1,234)</u>	<u>-</u>	<u>16,756</u>
Total capital assets, net	<u>\$ 11,289,237</u>	<u>\$ 605,512</u>	<u>\$ -</u>	<u>\$ 11,894,749</u>

For the year ended June 30, 2019, depreciation expense was charged to governmental activities as follows:

Instruction	\$ 481,944
Instructional supervision and administration	981
Home-to-school transportation	179,732
Food services	1,221
Other pupil services	2,928
Community services	295
General administration	9,877
Data processing	63,491
Plant services	<u>48,264</u>
Total depreciation expense	<u>\$ 788,733</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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, 2019 is shown below:

	Balance			Balance	Amounts
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental Activities					
Net pension liability (Notes 7 & 8)	\$52,284,186	\$ 2,384,032	\$ -	\$54,668,218	\$ -
Total OPEB liability (Note 9)	220,756	-	126,934	93,822	-
Compensated absences	<u>267,800</u>	<u>-</u>	<u>5,582</u>	<u>262,218</u>	<u>262,218</u>
Subtotal	<u>52,772,742</u>	<u>2,384,032</u>	<u>132,516</u>	<u>55,024,258</u>	<u>262,218</u>
Business-Type Activities					
Net pension liability (Notes 7 & 8)	2,380,814	226,968	-	2,607,782	-
Compensated absences	<u>-</u>	<u>12,052</u>	<u>-</u>	<u>12,052</u>	<u>12,052</u>
Subtotal	<u>2,380,814</u>	<u>239,020</u>	<u>-</u>	<u>2,619,834</u>	<u>12,052</u>
Total long-term liabilities	<u>\$55,153,556</u>	<u>\$ 2,623,052</u>	<u>\$ 132,516</u>	<u>\$57,644,092</u>	<u>\$ 274,270</u>

Payments on compensated absences, net pension liability, and total OPEB liability are made from the Fund for which the related employee worked.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2019 consisted of the following:

	County School Service <u>Fund</u>	Special Education Pass-Through <u>Fund</u>	All Non-Major Funds	<u>Total</u>
Nonspendable:				
Revolving cash fund	\$ 2,950	\$ -	\$ -	\$ 2,950
Stores inventory	30,740	-	-	30,740
Prepaid expenditures	<u>589,317</u>	<u>-</u>	<u>-</u>	<u>589,317</u>
Subtotal nonspendable	<u>623,007</u>	<u>-</u>	<u>-</u>	<u>623,007</u>
Restricted:				
Legally restricted programs	3,850,567	8,906,100	158,732	12,915,399
Capital projects	<u>-</u>	<u>-</u>	<u>6,745,132</u>	<u>6,745,132</u>
Subtotal restricted	<u>3,850,567</u>	<u>8,906,100</u>	<u>6,903,864</u>	<u>19,660,531</u>
Committed:				
Deferred Maintenance	<u>-</u>	<u>-</u>	<u>1,798,905</u>	<u>1,798,905</u>
Assigned:				
Capital Equipment	1,696,192	-	-	1,696,192
Instructional / Other Programs	6,295,946	-	-	6,295,946
Lottery	199,325	-	-	199,325
Pending litigation	50,000	-	-	50,000
Retiree benefits	<u>558,789</u>	<u>-</u>	<u>-</u>	<u>558,789</u>
Subtotal assigned	<u>8,800,252</u>	<u>-</u>	<u>-</u>	<u>8,800,252</u>
Unassigned:				
Designated for economic uncertainty	<u>1,683,122</u>	<u>-</u>	<u>-</u>	<u>1,683,122</u>
Total fund balances	<u>\$ 14,956,948</u>	<u>\$ 8,906,100</u>	<u>\$ 8,702,769</u>	<u>\$ 32,565,817</u>

(Continued)

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

General Information about the State Teachers’ Retirement Plan

Plan Description: Teaching-certified employees of the County Office 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 (DB) 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.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

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 2018-19. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2018-19.

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.

Employers – 16.28 percent of applicable member earnings.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state’s General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers’ share of the unfunded actuarial obligation of the Defined Benefit Program.

The employer contribution rates set in statute by the CalSTRS Funding Plan were not changed by the passage of SB 90. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
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 County Office contributed \$2,700,910 to the plan for the fiscal year ended June 30, 2019.

State - 9.828 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

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 state’s base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate will increase to 5.811% on July 1, 2019, 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. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019–20 through 2022–23. The CalSTRS state contribution rates effective for fiscal year 2018-19 and beyond are summarized in the table below.

<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, 2018	2.017%	5.311%	2.50%	9.828%
July 01, 2019	2.017%	5.811%(2)	2.50%	10.328%(3)
July 01, 2020 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	4.517%(5)

- (1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.
- (2) In May 2019, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2019.
- (3) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.
- (4) 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.
- (5) 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.

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

At June 30, 2019, the County Office reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office. The amount recognized by the County Office 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 County Office were as follows:

County Office’s proportionate share of the net pension liability	\$ 26,408,000
State’s proportionate share of the net pension liability associated with the County Office	<u>15,120,000</u>
Total	<u><u>\$ 41,528,000</u></u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The County Office’s proportion of the net pension liability was based on the County Office’s share of contributions to the pension plan relative to the contributions of all participating Local Education Agencies and the State. At June 30, 2018, the County Office’s proportion was 0.029 percent, no change from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County Office recognized pension expense of \$5,946,625 and revenue of \$2,728,687 for support provided by the State. At June 30, 2019, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 82,000	\$ 384,000
Changes of assumptions	4,103,000	-
Net differences between projected and actual earnings on investments	-	1,017,000
Changes in proportion and differences between County Office contributions and proportionate share of contributions	1,117,000	775,000
Contributions made subsequent to measurement date	<u>2,700,910</u>	<u>-</u>
Total	<u>\$ 8,002,910</u>	<u>\$ 2,176,000</u>

\$2,700,910 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, 2020. 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>	
2020	\$ 1,033,033
2021	\$ 652,033
2022	\$ (40,967)
2023	\$ 507,367
2024	\$ 974,867
2025	\$ (333)

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, 2018 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.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
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.

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 CalSTRS 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

(Continued)

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

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 AB 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.

Sensitivity of the County Office’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County Office’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the County Office’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>
County Office’s proportionate share of the net pension liability	<u>\$ 38,685,000</u>	<u>\$ 26,408,000</u>	<u>\$ 16,230,000</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.

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.

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

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-2018.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.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

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 PERF B, 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.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2019 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2018-19.

Employers - The employer contribution rate was 18.062 percent of applicable member earnings.

The County Office contributed \$2,904,266 to the plan for the fiscal year ended June 30, 2019.

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

At June 30, 2019, the County Office reported a liability of \$30,868,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The County Office’s proportion of the net pension liability was based on the County Office’s share of contributions to the pension plan relative to the contributions of all participating Local Education Agencies. At June 30, 2018, the County Office’s proportion was 0.116 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County Office recognized pension expense of \$6,956,745 and revenue of \$1,048,642 for support provide by the State. At June 30, 2019, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,024,000	\$ -
Changes of assumptions	3,082,000	-
Net differences between projected and actual earnings on investments	254,000	-
Changes in proportion and differences between County Office contributions and proportionate share of contributions	-	556,000
Contributions made subsequent to measurement date	<u>2,904,266</u>	<u>-</u>
Total	<u>\$ 8,264,266</u>	<u>\$ 556,000</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

\$2,904,266 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, 2020. 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>		
2020		\$ 2,916,417
2021		\$ 2,206,417
2022		\$ (136,584)
2023		\$ (182,250)

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, 2018 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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
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 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

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 Years 1-10 (1)</u>	<u>Expected Real Rate of Return Years 11+(2)</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average

- (1) An expected inflation rate of 2.00% used for this period
- (2) An expected inflation rate of 2.92% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 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 rounded 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 adjusted to account for assumed administrative expenses.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

Sensitivity of the County Office’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County Office’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the County Office’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
County Office’s proportionate share of the net pension liability	<u>\$ 44,942,000</u>	<u>\$ 30,868,000</u>	<u>\$ 19,191,000</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.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension 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.

As of June 30, 2019, there were 4 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 is one retiree currently receiving lifetime County Office paid benefits under grandfathered benefit provisions in effect at the time of their retirements.

The County Office’s Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The County Office’s Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2019 the County Office has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the County Office’s Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2019:

	<u>Number of Participants</u>
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	4
Active employees	<u>4</u>
	<u><u>8</u></u>

Benefits Provided: 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.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 \$717. 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 \$540. 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 \$563, 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.

Contributions: California Government Code specifies that the County Office's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the County Office are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The County Office's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the County Office were \$29,986 for the year ended 2019. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The County Office's total OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions: The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	July 1, 2018
<u>Measurement Date</u>	June 30, 2019
<u>Fiscal Year End</u>	June 30
<u>Pre-Retirement Mortality Rate</u>	RP-2014 Employee Mortality table for Males or Females.
<u>Post-Retirement Mortality Rate</u>	RP-2014 Employee Mortality table for Males or Females
<u>Discount Rate</u>	3.13%. Based on the June 30, 2018 Bond Buyer 20-Bond Index, as published by the Federal Reserve.
<u>Health Care Inflation</u>	6.00% for 2018 decreasing 0.10 percent each year to 5.0 percent.
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ <u>220,756</u>
Changes for the year:	
Service cost	3,326
Interest	3,666
Benefit payments	(29,986)
Difference between expected and actual experience	(101,782)
Changes of assumptions	<u>(2,158)</u>
Net change	<u>(126,934)</u>
Balance, June 30, 2019	<u>\$ 93,822</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the County Office, as well as what the County Office's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (<u>2.13%</u>)	Current Discount Rate (<u>3.13%</u>)	1% Increase (<u>4.13%</u>)
Total OPEB liability	<u>\$ 95,216</u>	<u>\$ 93,822</u>	<u>\$ 92,386</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the County Office, as well as what the County Office's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (<u>5.00%</u>)	Healthcare Cost Trend Rates Rate (<u>6.00%</u>)	1% Increase (<u>7.00%</u>)
Total OPEB Liability	<u>\$ 91,938</u>	<u>\$ 93,822</u>	<u>\$ 95,764</u>

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the County Office recognized OPEB expense of \$29,986.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 County Office 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 agencies. 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, 2018 (most recent) is as follows:

Total assets	\$ 156,099,265
Deferred outflows of resources	\$ 2,183,259
Total liabilities	\$ 78,395,474
Deferred inflows of resources	\$ 438,183
Net position	\$ 79,448,867
Total revenues	\$ 64,932,531
Total expenses	\$ 59,366,494

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

NOTE 11 - CONTINGENCIES

The County Office 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 County Office.

Also, the County Office 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, 2019

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 10,548,501	\$ 10,146,104	\$ 9,556,293	\$ (589,811)
Local sources	<u>8,514,967</u>	<u>9,090,269</u>	<u>9,478,348</u>	<u>388,079</u>
Total LCFF	<u>19,063,468</u>	<u>19,236,373</u>	<u>19,034,641</u>	<u>(201,732)</u>
Federal sources	8,933,839	10,049,840	10,140,949	91,109
Other state sources	12,762,123	15,114,077	14,658,735	(455,342)
Other local sources	<u>13,643,213</u>	<u>14,596,618</u>	<u>14,429,820</u>	<u>(166,798)</u>
Total revenues	<u>54,402,643</u>	<u>58,996,908</u>	<u>58,264,145</u>	<u>(732,763)</u>
Expenditures:				
Current:				
Certificated salaries	16,308,355	17,134,717	17,122,383	12,334
Classified salaries	13,535,018	13,697,024	13,503,554	193,470
Employee benefits	11,535,862	13,625,788	13,550,257	75,531
Books and supplies	1,583,874	1,918,176	1,709,763	208,413
Contract services and operating expenditures	8,275,398	8,656,210	7,915,670	740,540
Other outgo	11,250	15,750	11,700	4,050
Capital outlay	<u>533,511</u>	<u>1,337,616</u>	<u>1,169,516</u>	<u>168,100</u>
Total expenditures	<u>51,783,268</u>	<u>56,385,281</u>	<u>54,982,843</u>	<u>1,402,438</u>
Excess of revenues over expenditures	<u>2,619,375</u>	<u>2,611,627</u>	<u>3,281,302</u>	<u>669,675</u>
Other financing sources (uses):				
Transfers in	504,295	537,476	485,294	(52,182)
Transfers out	<u>(1,922,571)</u>	<u>(1,540,473)</u>	<u>(1,477,045)</u>	<u>63,428</u>
Total other financing sources (uses)	<u>(1,418,276)</u>	<u>(1,002,997)</u>	<u>(991,751)</u>	<u>11,246</u>
Net change in fund balance	1,201,099	1,608,630	2,289,551	680,921
Fund balance, July 1, 2018	<u>12,667,397</u>	<u>12,667,397</u>	<u>12,667,397</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ 13,868,496</u>	<u>\$ 14,276,027</u>	<u>\$ 14,956,948</u>	<u>\$ 680,921</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, 2019

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources	\$ 20,945,157	\$ 27,650,214	\$ 26,759,281	\$ (890,933)
Other state sources	133,571,572	134,011,016	132,650,915	(1,360,101)
Other local sources	<u>25,000</u>	<u>62,000</u>	<u>63,181</u>	<u>1,181</u>
Total revenues	<u>154,541,729</u>	<u>161,723,230</u>	<u>159,473,377</u>	<u>(2,249,853)</u>
Expenditures:				
Current:				
Other outgo	<u>153,414,501</u>	<u>162,895,342</u>	<u>157,920,011</u>	<u>4,975,331</u>
Net change in fund balance	1,127,228	(1,172,112)	1,553,366	2,725,478
Fund balance, July 1, 2018	<u>7,352,734</u>	<u>7,352,734</u>	<u>7,352,734</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ 8,479,962</u>	<u>\$ 6,180,622</u>	<u>\$ 8,906,100</u>	<u>\$ 2,725,478</u>

See accompanying note to required supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF CHANGES IN THE COUNTY OFFICE'S TOTAL
 OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
 For the Year Ended June 30, 2019

Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>
Total OPEB Liability		
Service cost	\$ 2,462	\$ 3,326
Interest	8,398	3,666
Benefit payments	(43,805)	(29,986)
Difference between expected and actual experience	-	(101,782)
Changes of assumptions	<u>-</u>	<u>(2,158)</u>
Net change in total OPEB liability	(32,945)	(126,934)
Total OPEB liability - beginning of year	<u>253,701</u>	<u>220,756</u>
Total OPEB liability - end of year	<u>\$ 220,756</u>	<u>\$ 93,822</u>
Covered employee payroll	\$ 446,425	\$ 464,451
Total OPEB liability as a percentage of covered-employee payroll	49%	20%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2019

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
County Office's proportion of the net pension liability	0.028%	0.025%	0.028%	0.029%	0.029%
County Office's proportionate share of the net pension liability	\$ 16,362,360	\$ 19,760,754	\$ 23,030,000	\$ 26,545,000	\$ 26,408,000
State's proportionate share of the net pension liability associated with the County Office	<u>9,887,069</u>	<u>8,879,000</u>	<u>13,112,000</u>	<u>15,704,000</u>	<u>15,120,000</u>
Total net pension liability	<u>\$ 26,249,429</u>	<u>\$ 28,639,754</u>	<u>\$ 36,142,000</u>	<u>\$ 42,249,000</u>	<u>\$ 41,528,000</u>
County Office's covered payroll	\$ 13,496,148	\$ 13,512,958	\$ 14,190,000	\$ 14,520,000	\$ 15,295,000
County Office's proportionate share of the net pension liability as a percentage of its covered payroll	121.24%	146.24%	162.30%	182.82%	172.66%
Plan fiduciary net position as a percentage of the total pension liability	74.00%	74.02%	70.04%	69.46%	70.99%

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.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2019

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
County Office's proportion of the net pension liability	0.116%	0.107%	0.120%	0.118%	0.116%
County Office's proportionate share of the net pension liability	\$ 13,180,177	\$ 18,062,308	\$ 23,629,000	\$ 28,120,000	\$ 30,868,000
County Office's covered payroll	\$ 13,078,168	\$ 14,658,287	\$ 14,354,000	\$ 15,062,000	\$ 15,270,000
County Office's proportionate share of the net pension liability as a percentage of its covered payroll	101.00%	152.41%	164.62%	186.69%	202.15%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.43%	73.89%	71.87%	70.85%

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.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS
 For the Year Ended June 30, 2019

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 1,114,819	\$ 1,522,621	\$ 1,826,586	\$ 2,233,939	\$ 2,700,910
Contributions in relation to the contractually required contribution	<u>(1,114,819)</u>	<u>(1,522,621)</u>	<u>(1,826,586)</u>	<u>(2,233,939)</u>	<u>(2,700,910)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
County Office's covered payroll	\$ 13,512,958	\$ 14,190,000	\$ 14,520,000	\$ 15,295,000	\$ 16,590,000
Contributions as a percentage of covered payroll	8.25%	10.73%	12.58%	14.61%	16.28%

All years prior to 2015 are not available.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS
 For the Year Ended June 30, 2019

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 1,496,404	\$ 1,700,467	\$ 2,091,868	\$ 2,418,103	\$ 2,904,266
Contributions in relation to the contractually required contribution	<u>(1,496,404)</u>	<u>(1,700,467)</u>	<u>(2,091,868)</u>	<u>(2,418,103)</u>	<u>(2,904,266)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
County Office's covered payroll	\$ 14,658,287	\$ 14,354,000	\$ 15,062,000	\$ 15,270,000	\$ 16,079,000
Contributions as a percentage of covered payroll	11.44%	11.85%	13.89%	15.84%	18.06%

All years prior to 2015 are not available.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The County Office employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of 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 and Special Education Pass-Through Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the County Office's Total OPEB 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. The County Office has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the County Office's Total OPEB Liability.

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 County Office into the OPEB Trust fund.

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

The Schedule of the County Office's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the County Office'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 County Office's Contributions

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

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

G - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, and 7.15 percent in the June 30, 2013, 2014, 2015, 2016 and 2017 actuarial reports, respectively.

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

<u>Assumption</u>	<u>As of June 30, 2018</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%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.75%	3.75%

The discount rate for Other Postemployment Benefits was 3.62 and 3.13 percent in the June 30, 2018 and 2019 actuarial reports, respectively.

The following are the assumptions for Other Postemployment Benefits:

<u>Assumption</u>	<u>As of June 30, 2019</u>	<u>As of June 30, 2018</u>
Healthcare cost	6.00%	4.00%
Wage growth	3.00%	4.00%

SUPPLEMENTARY INFORMATION

EL DORADO COUNTY OFFICE OF EDUCATION
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2019

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Special Reserve for Capital Outlay Projects Fund	Total
ASSETS						
Cash in County Treasury	\$ (76,692)	\$ (149,443)	\$ 1,798,905	\$ 657	\$ 6,755,040	\$ 8,328,467
Receivables	199,217	565,687	-	191	-	765,095
Due from other funds	<u>-</u>	<u>1,327</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,327</u>
Total assets	<u>\$ 122,525</u>	<u>\$ 417,571</u>	<u>\$ 1,798,905</u>	<u>\$ 848</u>	<u>\$ 6,755,040</u>	<u>\$ 9,094,889</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 15,362	\$ 60,178	\$ -	\$ -	\$ -	\$ 75,540
Due to other funds	41	236	-	-	9,908	10,185
Unearned revenue	<u>-</u>	<u>306,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,395</u>
Total liabilities	<u>15,403</u>	<u>366,809</u>	<u>-</u>	<u>-</u>	<u>9,908</u>	<u>392,120</u>
Fund balances:						
Restricted	107,122	50,762	-	848	6,745,132	6,903,864
Committed	<u>-</u>	<u>-</u>	<u>1,798,905</u>	<u>-</u>	<u>-</u>	<u>1,798,905</u>
Total fund balances	<u>107,122</u>	<u>50,762</u>	<u>1,798,905</u>	<u>848</u>	<u>6,745,132</u>	<u>8,702,769</u>
Total liabilities and fund balances	<u>\$ 122,525</u>	<u>\$ 417,571</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ 6,755,040</u>	<u>\$ 9,094,889</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, 2019

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Special Reserve for Capital Outlay Projects Fund	Total
Revenues:						
Federal sources	\$ -	\$ 649,480	\$ -	\$ 608,087	\$ -	\$ 1,257,567
Other state sources	328,179	2,436,979	-	-	-	2,765,158
Other local sources	<u>222,318</u>	<u>1,487,396</u>	<u>191,867</u>	<u>847</u>	<u>99,968</u>	<u>2,002,396</u>
Total revenues	<u>550,497</u>	<u>4,573,855</u>	<u>191,867</u>	<u>608,934</u>	<u>99,968</u>	<u>6,025,121</u>
Expenditures:						
Current:						
Certificated salaries	263,631	730,971	-	-	-	994,602
Classified salaries	82,668	1,133,704	-	-	-	1,216,372
Employee benefits	127,273	890,935	-	-	-	1,018,208
Books and supplies	7,739	279,142	-	-	-	286,881
Contract services and operating expenditures	46,950	1,161,990	-	-	88	1,209,028
Other outgo	-	-	-	497,470	-	497,470
Capital outlay	<u>-</u>	<u>29,309</u>	<u>95,287</u>	<u>-</u>	<u>50,000</u>	<u>174,596</u>
Total expenditures	<u>528,261</u>	<u>4,226,051</u>	<u>95,287</u>	<u>497,470</u>	<u>50,088</u>	<u>5,397,157</u>
Excess of revenues over expenditures	<u>22,236</u>	<u>347,804</u>	<u>96,580</u>	<u>111,464</u>	<u>49,880</u>	<u>627,964</u>
Other financing sources (uses):						
Transfers in	-	32,069	-	-	1,444,976	1,477,045
Transfers out	<u>(34,833)</u>	<u>(337,537)</u>	<u>-</u>	<u>(112,924)</u>	<u>-</u>	<u>(485,294)</u>
Total other financing sources (uses)	<u>(34,833)</u>	<u>(305,468)</u>	<u>-</u>	<u>(112,924)</u>	<u>1,444,976</u>	<u>991,751</u>
Net change in fund balances	(12,597)	42,336	96,580	(1,460)	1,494,856	1,619,715
Fund balances, July 1, 2018	<u>119,719</u>	<u>8,426</u>	<u>1,702,325</u>	<u>2,308</u>	<u>5,250,276</u>	<u>7,083,054</u>
Fund balances, June 30, 2019	<u>\$ 107,122</u>	<u>\$ 50,762</u>	<u>\$ 1,798,905</u>	<u>\$ 848</u>	<u>\$ 6,745,132</u>	<u>\$ 8,702,769</u>

EL DORADO COUNTY OFFICE OF EDUCATION
ORGANIZATION
June 30, 2019

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	Member	November 2022
Rich Fischer	Member	November 2020
Heidi Weiland	President	November 2022
Debbie Akin	Member	November 2020
John Lane	Vice President	November 2022

ADMINISTRATION

Dr. Ed Manansala
Superintendent

Robbie Montalbano*
Deputy Superintendent
Administrative Services

Kevin Monsma
Deputy Superintendent
Educational Services

Diane Lacombe
Senior Director, Internal Business Services

*Vacancy as of January 23, 2020

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2019

	<u>Second Period Report</u>	<u>Annual Report</u>
Certificate #:		
County Office ADA -	F9577E94	FD9A1DC2
District ADA -	1AAA78D7	A6CCE1AD
<u>Elementary</u>		
Special Education	127	127
Juvenile Halls, Homes and Camps	<u>1</u>	<u>1</u>
Total Elementary	<u>128</u>	<u>128</u>
<u>Secondary</u>		
Special Education	73	74
Juvenile Halls, Homes and Camps	<u>23</u>	<u>22</u>
Total Secondary	<u>96</u>	<u>96</u>
Classroom-Based Charter		
<u>Charter - Community School / Alternative Program:</u>		
Certificate #:	1CE6A625	11B5B3F0
<u>Elementary</u>		
Community School Pupils- probation referred	<u>27</u>	<u>26</u>
<u>Secondary</u>		
Community School Pupils- probation referred	<u>268</u>	<u>250</u>
<u>Charter - Rite of Passage</u>		
Certificate #:	D6F2FF7D	1791E1A6
Juvenile Halls, Homes and Camps	<u>148</u>	<u>138</u>
Total Classroom-Based Charter	<u>443</u>	<u>414</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2019

Nonclassroom-Based Charter

Charter - Community School / Alternative Program:

Certificate #:	968C8F5D	510A33D8
<u>Elementary</u>		
Community School Pupils- probation referred	43	38
Certificate #:	1CE6A625	11B5B3F0
<u>Secondary</u>		
Community School Pupils- probation referred	130	116
Certificate #:	D18D2368 93479514	4CC6C76D 1730B1C0
<u>Charter - Community School:</u>		
Transitional Kindergarten through Third	53	48
Fourth through Sixth	40	37
Seventh through Eighth	130	117
Ninth through Twelfth	160	143
Total Charter - Community School	383	345
Total Nonclassroom-Based	556	499
Total Charter Schools	999	913
Total County Office	1,223	1,137

See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2019

Charter - Rite of Passage

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2018-2019 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	54,000	82,500	250	In Compliance
Grade 10	54,000	82,500	250	In Compliance
Grade 11	54,000	82,500	250	In Compliance
Grade 12	54,000	82,500	250	In Compliance

See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

<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 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	\$ 26,993,644
84.027	IDEA: Basic Local Assistance Entitlement, Part B, Sec 611	10115	10,315
84.027	Alternative Dispute Resolution, Part B, Sec 611	13007	15,865
84.173	IDEA: Preschool Grants, Part B, Section 619	13430	124,462
84.027A	Supporting Inclusive Practices	13693	76,464
84.027	Mental Health Allocation Plan, Part B, Section 611	15197	<u>1,975,344</u>
	Subtotal Special Education Cluster		<u>29,196,094</u>
	ESEA: Title I Programs:		
84.010	ESEA: Title I: Part A, Basic Grants Low-Income Neglected	14329	276,088
84.010	ESEA: Title I: Part D, Local Delinquent Programs	14357	<u>561,703</u>
	Subtotal ESEA: Title I Programs		<u>837,791</u>
84.181	Special Education: IDEA Early Intervention Grants	23761	42,634
84.367	ESEA: Title II, Part A, Improving Teacher Quality	14341	45,417
84.196	ESEA: Title X McKinney-Vento Homeless Children Assistance Grant	14332	75,000
84.365	ESEA: Title III, Limited English Proficient (LEP) Student Program	14346	48,051
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	43,132
84.060	Indian Education	10011	<u>235,654</u>
	Total U.S. Department of Education		<u>30,523,773</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

<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 Expenditures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
Child Care Cluster:			
93.575	Child Development: Quality Improvement Activities	14092	\$ 330,759
93.575	Child Development: Federal Local Planning Councils	13946	<u>53,899</u>
	Subtotal Child Care Cluster		<u>384,658</u>
93.600	Head Start State Collaboration Office	10016	<u>5,594,623</u>
Medi-Cal Billing Cluster:			
93.778	Medi-Cal Billing Option	10013	494,098
93.778	Medi-Cal Administrative Activities (MAA)	10060	<u>178,975</u>
	Subtotal Medicaid Cluster		<u>673,073</u>
	Total U.S. Department of Health and Human Services		<u>6,652,354</u>
<u>U.S. Department of Agriculture - Passed Through California Department of Education</u>			
10.555	Preschool Food Program - Child Nutrition Cluster	13391	18,707
10.558	Child Nutrition: CACFP Claims Recon/FF	13393	264,824
10.665	Forest Reserve Funds -Schools and Roads - Grants to States Cluster	10044	<u>610,394</u>
	Total U.S. Department of Agriculture		<u>893,925</u>
	Total Federal Programs		<u>\$ 38,070,052</u>

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

<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 Expenditures</u>
<u>Passed Through to Subrecipients of Education</u>			
10.665	Forest Reserve Funds -Schools and Roads - Grants to States Cluster	10044	\$ 610,394
84.027	Special Education Cluster: IDEA: Basic Local Assistance Entitlement, Part B, Sec 611	13379	26,993,644
84.027	Mental Health Allocation Plan, Part B, Section 611	14468	<u>1,975,344</u>
	Subtotal Special Education Cluster		<u>28,968,988</u>
	Total Passed Through		<u>\$ 29,579,382</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, 2019

	Enterprise Fund
June 30, 2019 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ 656,174
Client proposed adjustment to County Office's share of unfunded STRS & PERS liability	<u>(2,022,869)</u>
June 30, 2019 Audit Financial Statements Ending Fund Balance	<u><u>\$ (1,366,695)</u></u>

See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For the Year Ended June 30, 2019
 UNAUDITED

	(Budgeted) <u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>County School Service Fund</u>				
Revenues and other financing sources	\$ 51,663,020	\$ 58,749,439	\$ 51,823,920	\$ 47,535,640
Expenditures	51,032,299	54,982,843	50,261,256	46,625,794
Other uses and transfers out	<u>345,934</u>	<u>1,477,045</u>	<u>5,448,806</u>	<u>122,378</u>
Total outgo	<u>51,378,233</u>	<u>56,459,888</u>	<u>55,710,062</u>	<u>46,748,172</u>
Change in fund balance	<u>\$ 284,787</u>	<u>\$ 2,289,551</u>	<u>\$ (3,886,142)</u>	<u>\$ 787,468</u>
Ending fund balance	<u>\$ 15,241,735</u>	<u>\$ 14,956,948</u>	<u>\$ 12,667,397</u>	<u>\$ 16,553,539</u>
Available reserves	<u>\$ 1,515,700</u>	<u>\$ 1,683,122</u>	<u>\$ 1,661,253</u>	<u>\$ 1,393,613</u>
Designated for economic uncertainties	<u>\$ 1,515,700</u>	<u>\$ 1,683,122</u>	<u>\$ 1,661,253</u>	<u>\$ 1,393,613</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>\$ 57,369,822</u>	<u>\$ 57,644,092</u>	<u>\$ 55,153,556</u>	<u>\$ 46,920,386</u>
Average daily attendance at annual	<u>1,072</u>	<u>1,223</u>	<u>1,130</u>	<u>1,082</u>

The County School Service Fund fund balance has decreased by \$809,123 over the past three years. The fiscal year 2019-20 budget projects an increase of \$284,787. For an County Office 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 County Office has met this requirement for the fiscal year ended June 30, 2019.

The County Office has incurred operating surplus in two of the past three years, and anticipates incurring an operating surplus during the 2019-20 fiscal year.

Total long-term liabilities have increased by \$10,723,706 over the past two years.

Average daily attendance has increased by 141 over the past two years. An decrease of 151 ADA is anticipated during fiscal year 2019-20.

See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2019

<u>Charter Schools Chartered by the County Office</u>	<u>Included in County Office 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
1880 - John Adams Academy - El Dorado Hills	Separate Report

See accompanying notes to supplementary information.

EL DORADO COUNTY OFFICE OF EDUCATION
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2019

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 County Office. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and county offices' of education. 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 Expenditure of Federal Awards includes the federal award activity of El Dorado County 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 the cost principles in in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County Office 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, 2019.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 38,157,797
Forest Reserve Funds -Schools and Roads - Grants to States Cluster spent from prior year awards	10.665	2,308
Medi-Cal Billing not spent	93.778	<u>(90,053)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 38,070,052</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 County Office's financial condition over the past three years and its anticipated condition for the 2019-20 fiscal year, as required by the State Controller's Office.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2019

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, 2019, the County Office 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 *2018-19 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, 2019.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
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	No, see below
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
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before 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
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)

Teacher Certification and Misassignments is not applicable as absence testing was not required to be performed.

The County Office did not have any Kindergarten's continue, 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 Instructional Time, Ratio of Administrative Employees to Teachers, Classroom Teacher Salaries, School Accountability Report Card or K-3 Grade Span Adjustment as this does not apply to County Offices of Education.

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 Apprenticeship Program, 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 Apprenticeship Program, After or Before School Education and Safety Program, Middle or Early College High Schools or Independent Study-Course Based program.

Comprehensive School Safety Plan is not applicable as the County Office does not have traditional sites.

The County Office did not elect to be an District of Choice, therefore, we did not perform any procedures.

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 *2018-19 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.

(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, 2019.

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 *2018-19 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 LLP

Crowe LLP

Sacramento, California
January 31, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise El Dorado County Office of Education's basic financial statements, and have issued our report thereon dated January 31, 2020.

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.

(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 LLP

Crowe LLP

Sacramento, California
January 31, 2020

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, 2019. 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, 2019.

(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 LLP

Crowe LLP

Sacramento, California
January 31, 2020

FINDINGS AND RECOMMENDATIONS

EL DORADO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes 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 No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,142,102

Auditee qualified as low-risk auditee? Yes No

STATE AWARDS

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

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

EL DORADO COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	County Office Explanation <u>If Not Implemented</u>
No matters were reported.		