

San Diego County Office of Education

County of San Diego
San Diego, California

Audit Report

June 30, 2019



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



San Diego County Office of Education

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June 30, 2019

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Independent Auditor's Report

To the Board of Education
San Diego County Office of Education
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Diego County Office of Education (County Office), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County Office'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 an opinion 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the San Diego 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying combining statements as supplementary information and additional supplementary information identified in the table of contents, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of San Diego 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 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 County Office's 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 the County Office's internal control over financial reporting and compliance.

William A. Kelley King & Co., LLP

El Cajon, California
December 16, 2019

San Diego County Office of Education
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

This discussion and analysis of the San Diego 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. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County Office's financial performance.

USING THESE FINANCIAL STATEMENTS

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the San Diego County Office of Education as a complex financial entity. The statements then provide an increasingly detailed look at specific financial activities. The San Diego County Office of Education does not operate any business-type activities, so the information presented is solely for governmental activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole County Office, presenting both an aggregate view of the County Office's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County Office's most significant fund with all other non-major funds presented in total in one column. In the case of the San Diego County Office of Education, the general fund is by far the most significant fund.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018-2019 are as follows:

- Total assets are \$406,228,982, an increase of \$71,512,015 over 2017-2018.
- Total debt is \$167,650,880, a reduction of \$15,440,346 under 2017-2018.
- Total revenue is \$491,486,260, an increase of \$13,935,761 over 2017-2018.
- Total expenses are \$455,112,782, a reduction of \$17,354,480 under 2017-2018.

Reporting the County Office as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the County Office to provide programs and activities, the view of the County Office as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018-2019?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets and all liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid out.

These two statements report the County Office's net position and changes in that position. This change in net position is important because it tells the reader that, for the County Office as a whole, the financial position of the County Office has improved or diminished. The causes of this change may be the result of many factors, some financial some not. Non-financial factors include the County Office's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the County Office is presented in just one kind of activity, Governmental Activities. All of the County Office's programs and services are reported here including instructional, support services, and operation and maintenance of plant and facilities. The County Office does not operate any business-type activities, so none are presented here.

Reporting the County Office's Most Significant Fund

Fund Financial Statements

Major Funds: The analysis of the County Office's major funds is included in the audit report. Fund financial reports provide detailed information about the County Office's major funds. The County Office uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County Office's most significant funds. The County Office's major governmental funds:

General Fund including Fund 20 under GASB 54

Special Education Pass Thru Fund

Governmental Funds: Most of the County Office's activities are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the County Office's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE COUNTY OFFICE AS A COMPLETE FINANCIAL ENTITY

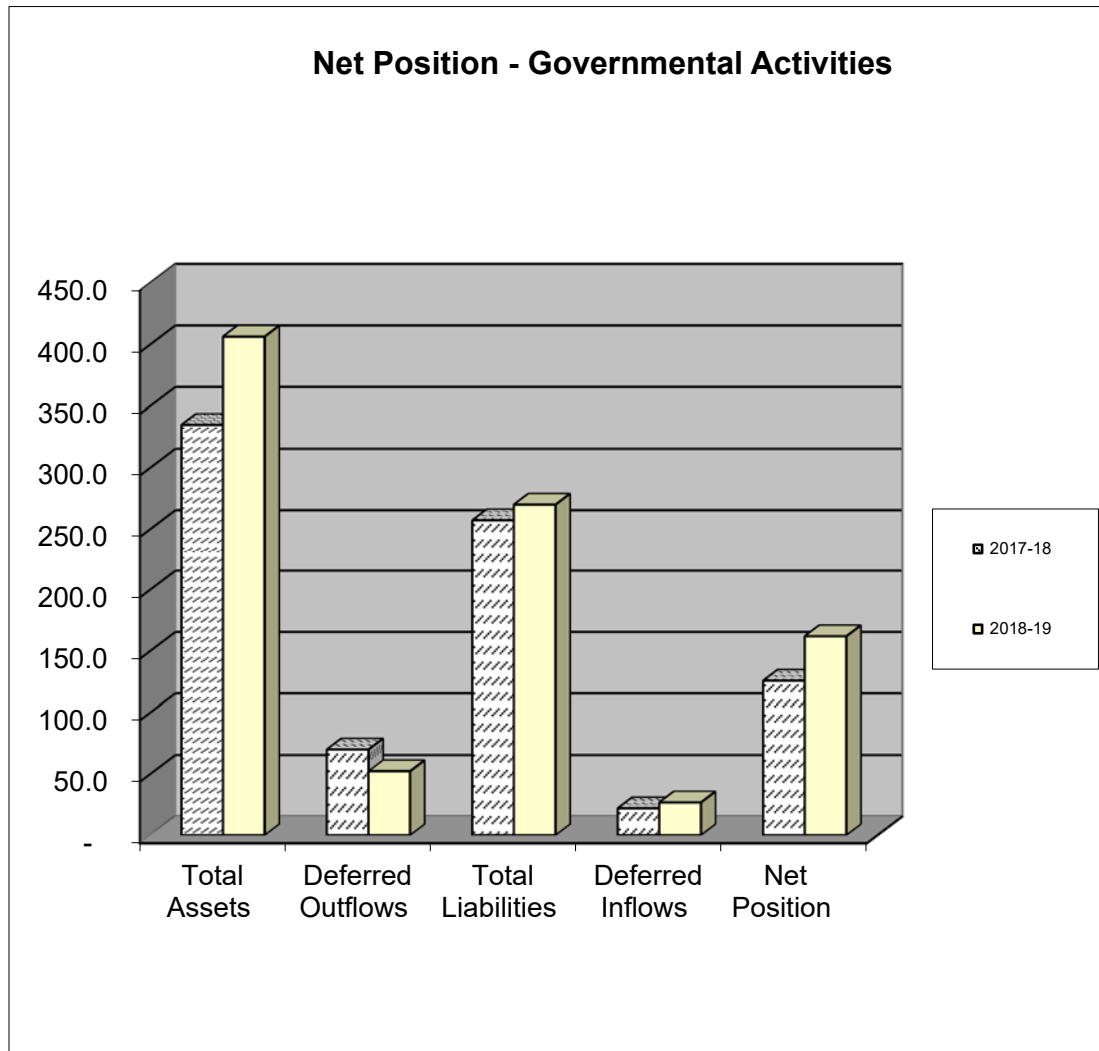
Recall that the Statement of Net Position provides the perspective of the County Office as a whole. Table 1 provides a summary of the County Office's net position for 2017-2018 and 2018-2019.

Table 1
Statement of Net Position
June 30

	2017-18	2018-19
Assets		
Cash	\$ 195,833,765	\$ 246,339,416
Investments in JPA	1,543,772	1,509,552
Receivables	66,245,193	91,150,518
Due from other funds		
Stores		
Prepaid expenses	1,755,037	1,824,703
Other current assets	-	-
Capital assets:		
Land	1,877,796	1,877,796
Land improvements	2,119,249	2,127,699
Buildings	40,347,801	41,802,043
Equipment	58,938,783	59,279,037
Work in progress	1,514,454	661,282
Less accumulated depreciation	(35,458,883)	(40,343,064)
Total assets	<u>334,716,967</u>	<u>406,228,982</u>
Deferred Outflows of Resources	69,868,857	52,233,462
Liabilities		
Accounts payable	58,813,306	97,829,146
Unearned revenue	15,204,892	4,388,701
Long-term liabilities:		
Due within one year	4,821,458	5,096,457
Due in more than one year	<u>178,269,768</u>	<u>162,554,423</u>
Total liabilities	<u>257,109,424</u>	<u>269,868,727</u>
Deferred Inflows of Resources	21,938,445	26,682,284
Net Position (from Schedule A-1)		
Net investment in capital assets	68,918,708	64,847,222
Restricted	38,262,331	44,301,437
Unrestricted	18,356,916	52,762,774
Total net position	<u>\$ 125,537,955</u>	<u>\$ 161,911,433</u>

Chart 1.
Net Position - Governmental Activities
June 30
(In Millions)

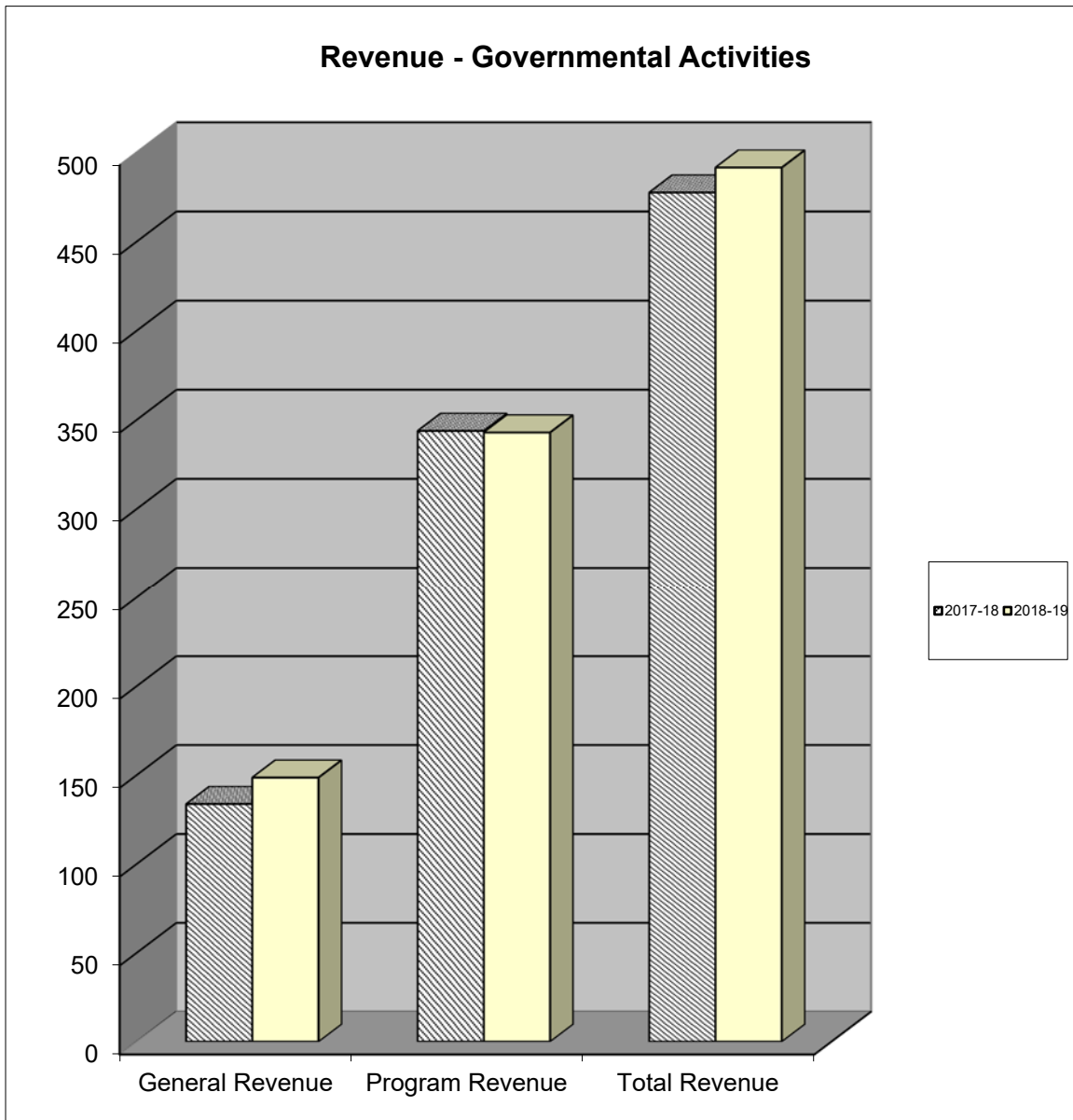
	2017-18	2018-19
Total Assets	334.7	406.2
Deferred Outflows	69.9	52.2
Total Liabilities	257.1	269.9
Deferred Inflows	21.9	26.7
Net Position	125.6	161.8



Total assets were \$406.2 million while total liabilities were \$269.9 million. Deferred outflows of resources were \$52.2 million and deferred inflows of resources were \$26.7 million as of June 30, 2019.

Chart 2.
Revenue - Governmental Activities
June 30
(In Millions)

	2017-18	2018-19
General Revenue	133.7	148.6
Program Revenue	<u>343.8</u>	<u>342.9</u>
Total Revenue	477.5	491.5

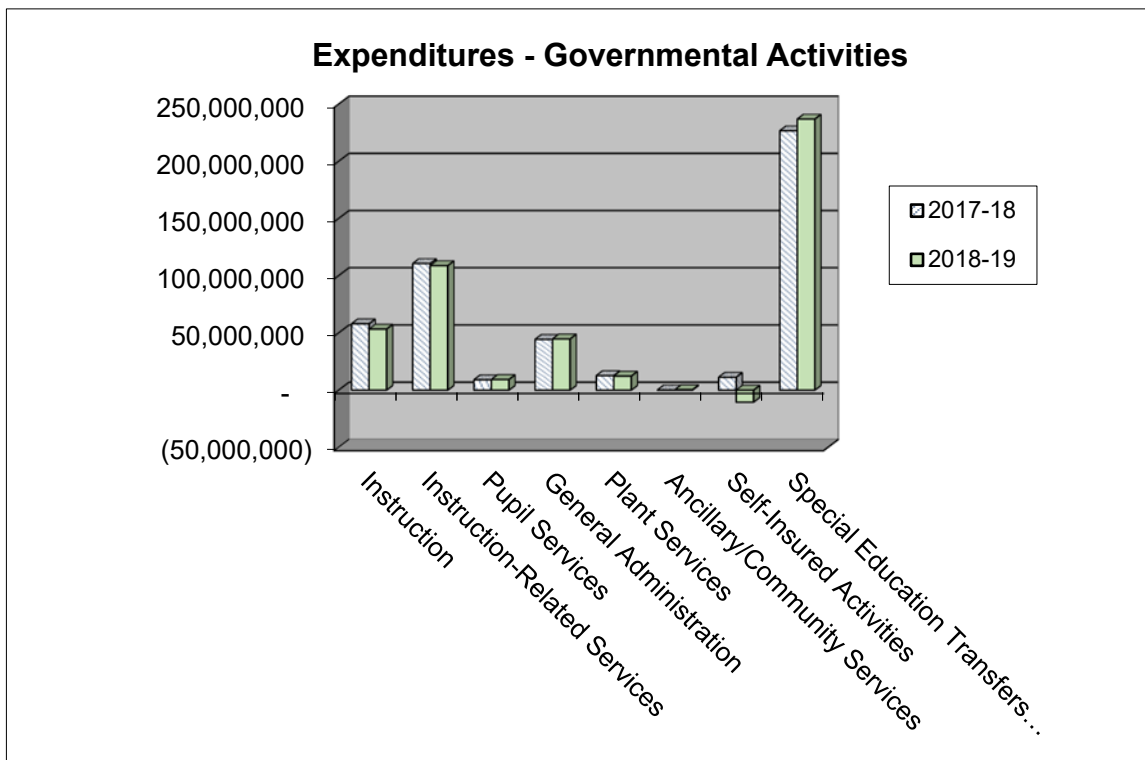


Revenue is divided into general revenue, which funds the basic operations of the County Office, and program revenue, which funds specific program activities that support the children and school districts of San Diego County.

The primary sources of general revenue are the Local Control Funding Formula (LCFF) and local revenue. The main source of program revenue is the State of California which funds many programs operated by the County Office.

Chart 3.
Expenditures - Governmental Activities
June 30

	2017-18	2018-19	Incr/(Decr)
Instruction	57,950,725	53,334,279	(4,616,446)
Instruction-Related Services	110,575,375	108,751,523	(1,823,852)
Pupil Services	9,006,681	9,259,959	253,278
General Administration	44,304,830	44,732,518	427,688
Plant Services	12,638,687	12,250,333	(388,354)
Ancillary/Community Services	114,751	336,953	222,202
Self-Insured Activities	11,232,869	(10,442,492)	(21,675,361)
Special Education Transfers Betwe	226,643,344	236,889,709	10,246,365
Total Expenditures	472,467,262	455,112,782	(17,354,480)



The expenditures are divided into function classifications. They cover the cost of operating the County Office and operating many of the programs that assist school districts with curriculum, assessment, technology, staff development, and business support services. The expenditures decreased by \$17.4 million, of which \$10.2 million was the result of Special Education Transfers Between Agencies.

THE COUNTY OFFICE'S FUNDS

Information about the County Office's major funds is shown later in this report. These funds are accounted for using the modified accrual basis of accounting. The County Office's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The General Fund is the County Office's largest major fund.

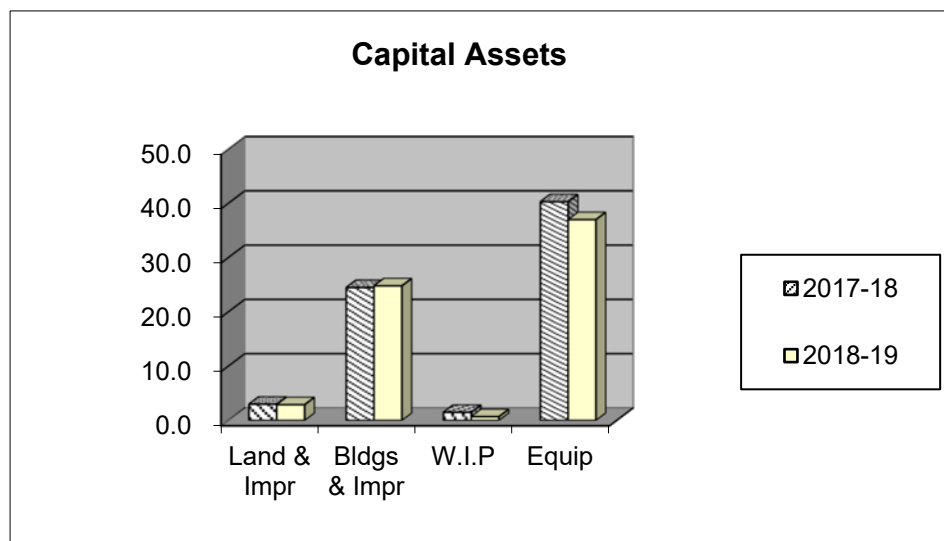
During the course of the 2018-2019 fiscal year, the County Office revised its general fund budget on occasion to better serve our client populations. None of the revisions were significant in terms of the overall budget. The County Office uses a fairly centralized budgeting process which affords control of the budget while allowing flexibility at the program level.

CAPITAL ASSETS

At the end of the 2018-2019 fiscal year, the County Office had \$105.7 million invested in land, buildings, work in progress, and capital equipment. Depreciation totaling \$40.3 million was charged against the value of those assets for net capital assets of \$65.4 million. Table 4 shows the breakdown of capital assets.

Chart 4.
Capital Assets at June 30
(Net of Depreciation - In Millions)

	2017-18	2018-19
Land & Improvements	3.0	2.9
Buildings & Improvements	24.5	24.8
Work In Progress	1.5	0.7
Equipment	<u>40.3</u>	<u>37.0</u>
Total	69.3	65.4

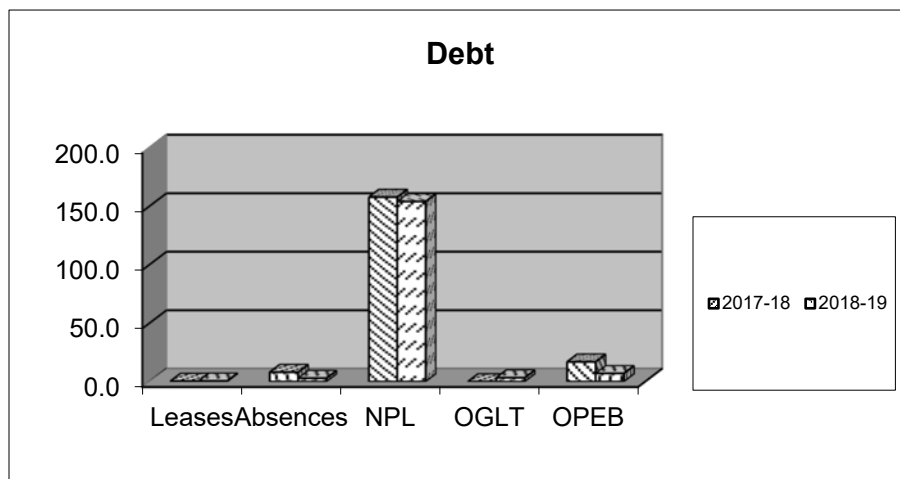


DEBT & OTHER LONG TERM LIABILITIES

As of June 30, 2019, the County Office had capital leases of \$.6 million, compensated absences of \$2.9 million, a net pension liability of \$153.9 million, and other general long-term debt of \$3.3 million, and other post-employment benefits obligation of \$7 million as implemented by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions," utilizing a measurement date of June 30, 2018.

Chart 5.
Debt - Governmental Funds
(In Millions)

	2017-18	2018-19
Capital Leases	0.4	0.6
Compensated Absences	8.0	2.9
Net Pension Liability	157.7	153.9
Other General Long-Term	0.0	3.3
OPEB	<u>16.9</u>	<u>7</u>
Total	183.0	167.7



CURRENT FINANCIAL RELATED ACTIVITIES

The San Diego County Office of Education is strong financially. As the preceding information shows, assets are strong and the amount of debt that affects our cash flow is a very small percentage of the overall budget. However, the financial future is full of challenges due to the County Office's dependence on the State of California for the bulk of its revenue.

In June 2012 & November 2013, the GASB issued Statement No. 68 "Accounting and Financial Reporting for Pensions," and Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date," respectively, which the County Office has implemented the provisions of these statements as of June 30, 2015. As a result, the County Office is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares.

A major concern for SDCOE and all districts continues to be the significant rate increases to the CalSTRS and CalPERS employer pension contribution rates, which are estimated to increase to 17.10% and 21.76%, respectively, based upon employee payroll for each of the pension systems.

The 2014-2015 State Budget enacted the Local Control Funding Formula (LCFF) for Local Education Agencies (LEAs). The LCFF is the distribution system for funding that became effective July 1, 2013. With the enactment of the LCFF, the County Office was required to adopt a Local Control Accountability Plan (LCAP) on or before July 1, 2014. The LCAP is a three-year plan, which is reviewed and updated annually, as required. On November 14, 2014 the State Board of Education approved the final regulations for the LCAP and the LCFF spending requirements. The new regulations became effective on January 8, 2015, approved by the Office of Administrative Law (OAL). The State Board of Education (SBE) continues to clarify regulations and update the LCAP template.

In addition, while the County Office's system of budgeting and internal controls is well regarded, all of the County Office's financial abilities will be needed to meet the challenges of the future.

CONTACTING THE COUNTY OFFICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the County Office's finances and to show the County Office's accountability for the money it receives. If you have questions about this report or need additional financial information you may contact Andrienne Loree, Executive Director, Internal Business Services at San Diego County Office of Education, 6401 Linda Vista Road, Room 501, San Diego, CA 92111 or E-mail to andrienne.loree@sdcoe.net.

Basic Financial Statements

San Diego County Office of Education

Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
ASSETS:	
Cash	\$ 246,339,416
Receivables	91,150,518
Prepaid Expenses	1,824,703
Investment in JPA	1,509,552
Capital Assets:	
Land	1,877,796
Land Improvements	2,127,699
Buildings	41,802,043
Equipment	59,279,037
Work in Progress	661,282
Less Accumulated Depreciation	<u>(40,343,064)</u>
Total Assets	<u>406,228,982</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>52,233,462</u>
 LIABILITIES	
Accounts Payable	97,829,146
Unearned Revenue	4,388,701
Long-Term Liabilities:	
Due Within One Year	5,048,362
Due In More Than One Year	<u>162,602,518</u>
Total Liabilities	<u>269,868,727</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>26,682,284</u>
 NET POSITION	
Net Investment in Capital Assets	64,847,222
Restricted For:	
Capital Projects	22,799,523
Educational Programs	14,701,123
Other Purposes (Expendable)	4,948,688
Other Purposes (Nonexpendable)	1,852,103
Unrestricted	<u>52,762,774</u>
Total Net Position	<u><u>\$ 161,911,433</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Statement of Activities

For the Year Ended June 30, 2019

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital Grants	Revenue and
		Services	Grants and	and	Changes in Net
			Contributions	Contributions	Position
					Governmental
					Activities
Governmental Activities					
Instruction	\$ 53,334,279	\$ 1,549,820	\$ 27,506,188	\$ 717	\$ (24,277,554)
Instruction-Related Services:					-
Instructional Supervision and Administration	100,251,927	13,685,532	63,897,519	-	(22,668,876)
Instructional Library, Media and Technology	1,866,498	341,185	126,688	-	(1,398,625)
School Site Administration	6,633,098	82,094	168,089	-	(6,382,915)
Pupil Services:					-
Home-to-School Transportation	-	-	-	-	-
Food Services	1,848,282	3,532	514,583	-	(1,330,167)
All Other Pupil Services	7,411,677	304,625	5,262,079	-	(1,844,973)
General Administration:					-
Centralized Data Processing	19,709,782	204,632	17,106	-	(19,488,044)
All Other General Administration	24,571,508	1,068,944	3,678,614	-	(19,823,950)
Plant Services	12,250,333	198,339	1,062,205	-	(10,989,789)
Ancillary Services	351,451	53,284	91,527	-	(206,640)
Community Services	(14,498)	-	22	-	14,520
Enterprise Activities	(10,442,492)	17,565	1,468	-	10,461,525
Interest on Long-Term Debt	30,817	-	-	-	(30,817)
Transfers Between Agencies	236,889,709	9,411,431	213,637,506	-	(13,840,772)
Depreciation (Unallocated)	420,411	-	-	-	(420,411)
Total Governmental Activities	<u>\$ 455,112,782</u>	<u>\$ 26,920,983</u>	<u>\$ 315,963,594</u>	<u>\$ 717</u>	<u>\$ (112,227,488)</u>
General Revenues					
Taxes and Subventions:					
Property Taxes, Levied for General Purposes					\$ 84,045,555
Property Taxes, Levied for Debt Service					-
Property Taxes, Levied for Other Specific Purposes					3,811,318
Federal and State Aid Not Restricted for Specific Purposes					40,150,285
Interest and Investment Earnings					3,479,910
Miscellaneous					17,113,898
Total General Revenues					<u>148,600,966</u>
Change in Net Position					36,373,478
Net Position - Beginning of Year					<u>125,537,955</u>
Net Position - Ending					<u>\$ 161,911,433</u>

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Balance Sheet – Governmental Funds

June 30, 2019

	General Fund	Special Education Pass-Trough Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 184,959,847	\$ 274,790	\$ 54,724,560	\$ 239,959,197
Cash on Hand and in Banks	185,300	-	-	185,300
Cash in Revolving Fund	27,400	-	-	27,400
Accounts Receivable	24,544,330	65,737,283	801,428	91,083,041
Due From Other Funds	491,111	2,312,219	7,663,347	10,466,677
Prepaid Expenditures	1,824,703	-	-	1,824,703
Total Assets	<u>\$ 212,032,691</u>	<u>\$ 68,324,292</u>	<u>\$ 63,189,335</u>	<u>\$ 343,546,318</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 29,103,391	\$ 67,911,614	\$ 805,746	\$ 97,820,751
Due To Other Funds	31,564,286	412,678	75,082	32,052,046
Unearned Revenue	3,232,756	-	1,155,945	4,388,701
Total Liabilities	<u>63,900,433</u>	<u>68,324,292</u>	<u>2,036,773</u>	<u>134,261,498</u>
Fund Balance:				
Nonspendable Fund Balance	1,852,103	-	-	1,852,103
Restricted Fund Balance	19,742,367	-	22,706,967	42,449,334
Committed Fund Balance	-	-	9,023,199	9,023,199
Assigned Fund Balance	72,317,543	-	29,422,396	101,739,939
Unassigned Fund Balance	54,220,245	-	-	54,220,245
Total Fund Balance	<u>148,132,258</u>	<u>-</u>	<u>61,152,562</u>	<u>209,284,820</u>
Total Liabilities and Fund Balance	<u>\$ 212,032,691</u>	<u>\$ 68,324,292</u>	<u>\$ 63,189,335</u>	<u>\$ 343,546,318</u>

The accompanying notes to the financial statements are an integral part of this statement.

San Diego 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:	\$209,284,820
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Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost	105,747,857	
Accumulated depreciation	<u>(40,343,064)</u>	
Net		65,404,793

Investment in JPA: In governmental funds the investment in JPA is not recorded because the investment involves an interest in capital assets less the long-term debt used to finance those assets. In the government-wide statement of net position the investment is reflected.

1,509,552

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owing at the end of the period was:

(8,395)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Capital leases payable	557,570	
Early retirement incentive	3,273,896	
Net pension liability	153,881,890	
Compensated absences	<u>2,920,362</u>	
Total		(160,633,718)

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, Continued June 30, 2019

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

Deferred outflows of resources relating to pensions	51,577,519	
Deferred inflows of resources relating to pensions	<u>(24,988,475)</u>	
	Net	26,589,044

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

19,765,337

Total net position, governmental activities:

\$161,911,433

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2019

	General Fund	Special Education Pass- Trough Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
LCFF State Apportionment	\$ 38,397,863	\$ -	\$ -	\$ 38,397,863
Education Protection Account Funds	299,770	-	-	299,770
Property Taxes	82,820,946	-	1,225,000	84,045,946
Federal Revenue	22,686,525	63,662,556	1,545,682	87,894,763
Other State Revenue	65,950,549	160,396,913	4,311,262	230,658,724
Other Local Revenue	53,431,283	-	4,795,944	58,227,227
Total Revenues	<u>263,586,936</u>	<u>224,059,469</u>	<u>11,877,888</u>	<u>499,524,293</u>
EXPENDITURES:				
Current Expenditures:				
Instruction	54,340,194	-	-	54,340,194
Instruction-Related Services	104,193,532	-	5,454,118	109,647,650
Pupil Services	9,403,188	-	-	9,403,188
Ancillary Services	351,522	-	-	351,522
Community Services	(14,327)	-	-	(14,327)
Enterprise Activities	19,355	-	-	19,355
General Administration	41,876,882	-	255,432	42,132,314
Plant Services	10,577,192	-	885,356	11,462,548
Other Outgo	32,681,218	224,059,469	149,022	256,889,709
Capital Outlay	12,130	-	1,025,083	1,037,213
Debt Service:				
Principal	51,051	-	270,640	321,691
Interest	6,820	-	20,839	27,659
Total Expenditures	<u>253,498,757</u>	<u>224,059,469</u>	<u>8,060,490</u>	<u>485,618,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,088,179</u>	<u>-</u>	<u>3,817,398</u>	<u>13,905,577</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	404,355	-	8,267,874	8,672,229
Transfers Out	(8,287,229)	-	(385,000)	(8,672,229)
Other Sources	25,060	-	433,709	458,769
Total Other Financing Sources (Uses)	<u>(7,857,814)</u>	<u>-</u>	<u>8,316,583</u>	<u>458,769</u>
NET CHANGE IN FUND BALANCE	2,230,365	-	12,133,981	14,364,346
FUND BALANCE, BEGINNING OF YEAR	145,901,893	-	49,018,581	194,920,474
FUND BALANCE, END OF YEAR	<u>\$ 148,132,258</u>	<u>\$ -</u>	<u>\$ 61,152,562</u>	<u>\$ 209,284,820</u>

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Total change in fund balances, governmental funds: \$ 14,364,346

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

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	2,037,214	
Depreciation expense	<u>(4,965,855)</u>	
Net		(2,928,641)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal from capital assets and the resulting gain or loss was: (5,766)

Cost write-off for canceled capital projects: If a planned capital project is canceled and will not be completed, costs previously capitalized as work in progress must be written off to expense. Costs written off for canceled projects were: (1,000,000)

Change in value of investment in JPA: Investment in JPA is not accounted for in the governmental funds. Since the Investment in JPA is made up of capital assets and long-term debt, the value is recorded in the government-wide financial statements. The change in value of the investment in JPA for the current year was: (34,220)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 321,691

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year expenses incurred for such obligations were: 1,949,471

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities, Continued
For the Year Ended June 30, 2019

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were: (458,769)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: (3,163)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (108,223)

Pensions: In governmental 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: (6,125,095)

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 30,401,847

Change in net position of governmental activities: \$ 36,373,478

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Statement of Net Position – Self Insurance Fund

June 30, 2019

	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 6,167,518
Accounts Receivable	67,478
Due From Other Funds	21,585,369
Total Current Assets	<u>27,820,365</u>
Total Assets	<u>27,820,365</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - OPEB Related	655,943
Total Deferred Outflows of Resources	<u>655,943</u>
 LIABILITIES:	
Long-Term Liabilities:	
Other Postemployment Benefits (OPEB)	7,017,162
Total Long-Term Liabilities	<u>7,017,162</u>
Total Liabilities	<u>7,017,162</u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows of Resources - OPEB Related	1,693,809
Total Deferred Inflows of Resources	<u>1,693,809</u>
 NET POSITION:	
Unrestricted Net Position	19,765,337
Total Net Position	<u><u>\$ 19,765,337</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Statement of Activities – Self Insurance Fund

June 30, 2019

	Self-Insurance Fund
OPERATING REVENUE	
In-County Office Premiums/Contributions	<u>\$ 34,092,105</u>
Total Operating Revenue	<u>34,092,105</u>
OPERATING EXPENSES	
Other Postemployment Benefits (OPEB)	<u>3,822,947</u>
Total Operating Expenses	<u>3,822,947</u>
OPERATING INCOME	<u>30,269,158</u>
NON-OPERATING REVENUE	
Interest Income	<u>132,689</u>
Total Non-Operating Revenue	<u>132,689</u>
CHANGE IN NET POSITION	30,401,847
NET POSITION - BEGINNING OF YEAR	<u>(10,636,509)</u>
NET POSITION - END OF YEAR	<u><u>\$ 19,765,338</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Statement of Cash Flows – Self Insurance Fund

June 30, 2019

	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Other Funds for OPEB Benefits	\$ 2,994,522
Cash Payments for OPEB Benefits	(1,304,985)
Net Cash Provided by Operating Activities	<u>1,689,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash Received from Interest Earnings	<u>89,080</u>
Net Cash Provided by Investing Activities	<u>89,080</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,778,617
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,388,901</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 6,167,518</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 30,269,158
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Changes in Operating Assets and Liabilities	
Increase in Due from Other Funds	(19,895,833)
Decrease in Deferred Outflows of Resources	10,999,520
Decrease in Unearned Revenue	(11,201,750)
Decrease in Net OPEB Liability	(9,929,372)
Increase in Deferred Inflows of Resources	<u>1,447,814</u>
Total Adjustments	<u>(28,579,621)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,689,537</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Statement of Net Position – Fiduciary Funds

June 30, 2019

	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS:			
Cash in County Treasury	\$ -	\$135,555,477	\$ 56,822,153
Cash on Hand and in Banks	-	750,000	1,696
Cash with Fiscal Agent/Trustee	19,132,690	8,736,669	-
Accounts Receivable	-	4,285,137	-
Prepaid Expenses	-	30,850	-
Total Assets	19,132,690	149,358,133	56,823,849
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources - OPEB Related	-	59,730	-
Deferred Outflows of Resources - Pension Related	-	2,072,350	-
Total Deferred Outflows of Resources	-	2,132,080	-
LIABILITIES:			
Current Liabilities:			
Accounts Payable	-	2,734,877	-
Due to Student Groups/Other Groups	-	-	56,823,849
Unearned Revenue	-	2,542,662	-
Liability for Underground Storage Tanks	-	70,000	-
Unpaid Self-Insurance Claim Liabilities	-	63,983,233	-
Total Current Liabilities	-	69,330,772	56,823,849
Long-Term Liabilities:			
Compensated Absences Payable	-	172,143	-
Net OPEB Liability	-	213,771	-
Net Pension Liability	-	4,472,233	-
Total Long-Term Liabilities	-	4,858,147	-
Total Liabilities	-	74,188,919	56,823,849
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - OPEB Related	-	48,969	-
Deferred Inflows of Resources - Pension Related	-	1,042,467	-
Total Deferred Inflows of Resources	-	1,091,436	-
NET POSITION:			
Held in Trust	19,132,690	76,209,858	-
Total Net Position	\$ 19,132,690	\$ 76,209,858	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Statement of Activities – Fiduciary Funds

June 30, 2019

	OPEB Trust Fund	Private Purpose Trust Funds
REVENUES:		
Investment Income	\$ 1,114,150	\$ 2,986,633
Participant Fees	-	101,591,197
Employer Contributions Outside of Trust	2,184,126	-
Employer Contributions Inside of Trust	-	-
Commissions and Refunds	-	1,227,707
Total Revenues	<u>3,298,276</u>	<u>105,805,537</u>
EXPENSES:		
Claims Paid, Net of Recoveries	-	62,165,637
Insurance Premiums	-	32,975,106
OPEB Reimbursements Outside of Trust	2,184,126	-
Administrative Expenses	8,873	4,730,221
Construction Projects	-	10,872,118
Other Expenses	-	-
Total Expenses	<u>2,192,999</u>	<u>110,743,082</u>
CHANGE IN NET POSITION	1,105,277	(4,937,545)
NET POSITION - BEGINNING OF YEAR	<u>18,027,413</u>	<u>81,147,403</u>
NET POSITION - END OF YEAR	<u>\$ 19,132,690</u>	<u>\$ 76,209,858</u>

The accompanying notes to the financial statements are an integral part of this statement.

San Diego County Office of Education

Notes to the Financial Statements

For the Year Ended June 30, 2019

A. Summary of Significant Accounting Policies

San Diego County Office of Education (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 (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The County Office operates under a locally elected Board of Education form of government and provides educational services as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County Office consists of all funds, departments and agencies that are not legally separate from the County Office. For the County Office, this includes general operations, special education pass-through activities, trust fund, and agency fund activities.

2. Component Units

Component units are legally separate organizations for which the County Office is financially accountable. Component units may also include organizations that are fiscally dependent on the County Office in that the County Office approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the County Office is not financially accountable but the nature and significance of the organization's relationship with the County Office is such that exclusion would cause the County Office's financial statements to be misleading or incomplete. The County Office has no component units. Additionally, the County Office is not a component unit of any other reporting entity as defined by GASB.

3. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the County Office). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the County Office's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from general revenues of the County Office.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Fund Financial Statements. The fund financial statements provide information about the County Office's funds, including its self-insurance fund and fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service programs, construction and maintenance of school facilities, and repayment of long-term debt.

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 or to other organizational units of the County Office, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self supporting.

Fiduciary funds are used to account for assets held by the County Office in a trustee or agency capacity for others that cannot be used to support the County Office's own programs.

Major Governmental Funds

The County Office reports the following major governmental funds:

General Fund: The general fund is the primary operating fund of the County Office. It is used to account for all activities except those that are required to be accounted for in another fund.

Special Education Pass-Through Fund: The special education pass-through fund is used by the administrative unit of a multi local education agency (LEA) Special Education Local Plan Area (SELPA) to account for special education revenue passed through to other member LEAs.

Non-Major Governmental Funds

The County Office reports the following non-major governmental funds categorized by the fund type:

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The County Office maintains the following nonmajor special revenue funds:

Child Development Fund: The child development fund is used to account separately for federal, state, and local revenues to operate child development programs.

Deferred Maintenance Fund: The deferred maintenance fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (Education Code §17582).

Forest Reserve Fund: The forest reserve fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (Education Code §2300; Government Code §29484).

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The County Office maintains the following nonmajor capital projects funds:

Building Fund: The Building fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code §15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code §41003*).

Capital Facilities Fund: The Capital Facilities Fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code §17620 through §17626*). The authority for these levies may be county or city ordinances (*Government Code §65970 through §65981*) or private agreements between the County Office and the developer. All funds, including interest earned, are restricted to the purposes specified in *Government Code §65970 through §65981* or *Government Code §65995*, or items specified in agreements with the developer (*Government Code §66006*).

County School Facilities Fund: The County School Facilities fund is established pursuant to *Education Code §17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A, the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State School Facilities Fund (Proposition 1D) or the 2016 State School Facilities Fund (Proposition 51). The fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code §17070.10 et seq.*).

Special Reserve Fund for Capital Outlay Projects: The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code §42840*). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to another capital projects fund. Other authorized resources that may be deposited in the Special Reserve Fund for Capital Outlay Projects are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and rentals and leases of real property specifically authorized for deposit to the fund by the governing board (*Education Code §41003*).

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Proprietary Funds

The County Office reports the following proprietary funds:

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the County Office on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges. The County Office maintains the following internal service fund:

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the County Office. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code §17566*).

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the County Office's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The County Office maintains the following trust and agency funds:

Private Purpose Trust Funds: The private purpose trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of employee benefit plans and County Office administered joint powers agreements.

OPEB Trust Fund: The OPEB trust fund exists to account separately for amounts held in trust for OPEB benefits. The contributions to this fund are irrevocable and can only be used for OPEB benefit payments.

Warrant/Pass-Through Fund: The warrant pass-through fund exists primarily to account separately for amounts collected for federal taxes, state taxes, transfers to credit unions, and other contributions. It is also used to account for those receipts for transfer to agencies for which the County Office is acting simply as a "cash conduit."

Student Body Fund: The student body fund is an agency fund, and therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code §48930 through §48938*).

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

4. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary and Fiduciary Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County Office gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County Office considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County Office incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County Office's policy to use restricted resources first, then unrestricted resources.

5. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid or at year end, whichever is sooner.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

6. Budgets and Budgetary Accounting

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

These budgets are revised by the County Office's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The County Office employs budget control by minor object and by individual appropriation accounts.

7. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the County Office receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

8. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code §41001, the County Office maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued using the first-in/first-out (FIFO) method and consist of expendable supplies held for consumption. Reported inventories are equally offset by a non-spendable fund balance designation, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

The County Office has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The County Office has chosen to report the expenditures during the benefiting period.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 - 50 Years
Site Improvements	10 - 25 Years
Equipment	5 - 15 Years

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the County Office. The balance of the liabilities is recognized in the government-wide financial statements at year end.

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.

e. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the County Office prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County Office has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. 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 or 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. Transfers in and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

g. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as revolving cash accounts or principal of a permanent fund).

Restricted Fund Balance represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance represents amounts that can only be used for a specific purpose because of a formal action by the County Office's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget or resolution. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance represents amounts which the County Office intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County Office itself.

Unassigned Fund Balance represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the County Office considers restricted fund to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County Office considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

h. Minimum Fund Balance Policy

The County Office is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The County Office's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 3% of the general fund operating expenses and other financing uses.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

i. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

j. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

k. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources relating to pension, deferred inflows of resources relating to pension, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain timeframes. For this report, the following time frames are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	June 30, 2017 to June 30, 2018

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

9. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the County Office. Local property tax revenues are recorded when received.

10. GASB 54 Fund Presentation

GASB Statement No. 54 defines a special revenue fund as a fund that has a special revenue source that is either restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. The Special Reserve Fund for Postemployment Benefits (Fund 20) does not have continuing revenue sources that are either restricted or committed in nature. As such this fund does not meet the definition of special revenue funds under the provisions of GASB Statement No. 54. This fund has been combined with the general fund for reporting purposes.

11. Use of 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.

12. Fair Value Measurements

The County Office categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- | | |
|-----------------|--|
| Level 1 Inputs: | Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date. |
| Level 2 Inputs: | Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. |
| Level 3 Inputs: | Unobservable inputs to an asset or liability. |

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

13. New Accounting Pronouncements

The County Office has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 83 – Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 83.

GASB 88 – Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 88.

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, violations of finance-related legal and contractual provisions, if any are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following funds are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	Not Applicable	Not Applicable

C. Fair Value Measurements

The County Office's investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
External investment pools measured at fair value				
San Diego County Treasury - Governmental Funds	\$ 239,959,197	\$ -	\$ 239,959,197	\$ -
San Diego County Treasury - Self Insurance Fund	6,167,518	-	6,167,518	-
San Diego County Treasury - Private Purpose Trust Funds	134,912,371	-	134,912,371	-
San Diego County Treasury - Agency Funds	56,822,153	-	56,822,153	-
Total investments by fair value level	<u>239,959,197</u>	<u>-</u>	<u>239,959,197</u>	<u>-</u>
Investments by fair value level				
Beneficial interests in investments held by				
CERBT Trust Fund	19,132,690	-	-	19,132,690
Total Investments by fair value level	<u>\$ 259,091,887</u>	<u>\$ -</u>	<u>\$ 239,959,197</u>	<u>\$ 19,132,690</u>

The County Office is considered to be an involuntary participant in an external investment pool as the County Office is required to deposit all receipts and collections of monies with their County Treasurer (Education Code §41001). The fair value of the County Office's investments in the pool is reported in the accounting financial statements as amounts based upon the County Office's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the 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.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

The County Office invests OPEB trust funds in the California Employers' Retiree Benefit Trust (CERBT) Strategy 1 portfolio. The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in higher percentage equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

The following is a reconciliation of the beginning and ending balance of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Beneficial Interests in Investments Held by CERBT Trust
Balance at June 30, 2018	\$ 18,027,413
Purchases/contributions of investments	2,184,126
Investment return, net	1,114,150
Distributions	(2,184,126)
Administrative expenses	(8,873)
Balance at June 30, 2019	<u>\$ 19,132,690</u>

D. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code §41001, the County Office maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$239,959,197 as of June 30, 2019). The fair value of the County Office's portion of this pool as of that date, as provided by the pool sponsor, was \$239,959,197. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, In Banks, and in Revolving Fund

Cash balances on hand and in banks (\$937,007 as of June 30, 2019) and in revolving fund (\$27,400 as of June 30, 2019) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

3. Cash with Fiscal Agent/Trustee

Cash with fiscal agent/trustee (\$27,869,357 as of June 30, 2019) represents cash held by the CERBT for OPEB trust and amounts held at US Bank for construction projects affiliated with the facilities and energy JPA trust funds. The cash with fiscal agent for facilities and energy JPA trust funds are held in highly liquid cash accounts with original maturities less than ninety days.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

4. Investments Authorized by the California Government Code and the County Office's Investment Policy

The table below identifies the investment types that are authorized for the County Office by the California Government Code (or the County Office's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the County Office's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the County Office, rather than the general provisions of the California Government Code or the County Office's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

At June 30, 2019, credit risk for the County Office's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 239,959,197
CERBT Trust Fund	Unrated	Not Applicable	19,132,690

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County Office's name. The California Government Code and the County Office's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

At June 30, 2019, the County Office's bank balances (including revolving cash) exceeded FDIC insurance limits by \$687,007.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the County Office contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the County Office was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office maintains a pooled investments with the San Diego County Treasury with a fair value of \$67,076,815. The average weighted maturity for this pool was 528 days at June 30, 2019.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County Office was not exposed to foreign currency risk.

6. Investment Accounting Policy

The County Office is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The County Office's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The County Office's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

E. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2019 consisted of:

	<u>Major Governmental Funds</u>			
	General	Special	Nonmajor	Total
	<u>Fund</u>	<u>Education</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Pass-Trough</u>	<u>Funds</u>	<u>Funds</u>
		<u>Fund</u>		
Federal Government				
Special Education	\$ 1,027,141	\$ 60,100,679	\$ -	\$ 61,127,820
Migrant Education	2,320,167	-	-	2,320,167
21st Century	1,124,337	-	-	1,124,337
Early Intervention	403,875	-	-	403,875
Title I	185,064	-	-	185,064
Other Federal Programs	443,959	-	223,370	667,329
State Government				
Special Education	6,454,343	5,636,604	-	12,090,947
ASES	2,025,616	-	-	2,025,616
CA Equity Performance	291,532	-	-	291,532
Tobacco Use Prevention	203,484	-	-	203,484
Foster Youth	363,785	-	-	363,785
Other State Programs	131,731	-	15,358	147,089
Local Sources				
Interest	1,513,899	-	562,700	2,076,599
QPI	5,289,717	-	-	5,289,717
CA Volunteers	140,327	-	-	140,327
Storm Water	206,897	-	-	206,897
Fees & Contracts	2,418,456	-	-	2,418,456
Totals	<u>\$ 24,544,330</u>	<u>\$ 65,737,283</u>	<u>\$ 801,428</u>	<u>\$ 91,083,041</u>
	<u>Self Insurance</u>	<u>Private</u>		
	<u>Fund</u>	<u>Purpose Fund</u>		
Local Sources				
Interest	\$ 67,478	\$ 684,868		
Fees & Contracts	-	3,600,269		
Totals	<u>\$ 67,478</u>	<u>\$ 4,285,137</u>		

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

F. Prepaid Expenditures/Expenses

Prepaid expenditures/expenses at June 30, 2019 consisted of:

	General Fund	Private Purpose Trust Funds
Prepaid Insurance	\$ 1,500,000	\$ 30,850
Prepaid Travel	62,187	
Other Prepaid Expenditures	262,516	
Totals	<u>\$ 1,824,703</u>	<u>\$ 30,850</u>

G. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,877,796	\$ -	\$ -	\$ 1,877,796
Work in progress	1,514,454	537,903	1,391,075	661,282
Total capital assets not being depreciated	<u>3,392,250</u>	<u>537,903</u>	<u>1,391,075</u>	<u>2,539,078</u>
Capital assets being depreciated:				
Land improvements	2,119,249	8,450	-	2,127,699
Buildings and improvements	40,347,801	1,454,242	-	41,802,043
Equipment	58,938,783	427,694	87,440	59,279,037
Total capital assets being depreciated	<u>101,405,833</u>	<u>1,890,386</u>	<u>87,440</u>	<u>103,208,779</u>
Less accumulated depreciation for:				
Land improvements	(975,594)	(101,641)	-	(1,077,235)
Buildings and improvements	(15,828,207)	(1,185,720)	-	(17,013,927)
Equipment	(18,655,084)	(3,678,494)	(81,676)	(22,251,902)
Total accumulated depreciation	<u>(35,458,885)</u>	<u>(4,965,855)</u>	<u>(81,676)</u>	<u>(40,343,064)</u>
Total capital assets being depreciated, net	<u>65,946,948</u>	<u>(3,075,469)</u>	<u>5,764</u>	<u>62,865,715</u>
Governmental activities capital assets, net	<u>\$ 69,339,198</u>	<u>\$ (2,537,566)</u>	<u>\$ 1,396,839</u>	<u>\$ 65,404,793</u>

Depreciation was charged to functions as follows:

Instruction	\$ 45,261
Instruction-Related Services	182,278
Pupil Services	1,416
General Administration	2,381,573
Plant Services	1,934,916
Unallocated	420,411
	<u>\$ 4,965,855</u>

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

H. Interfund Balances and Activities

1. Interfund Receivables and Payables (Due To and From Other Funds)

Balances due to and due from other funds at June 30, 2019, consisted of the following:

<u>Interfund Receivable (Due From Other Funds)</u>	<u>Interfund Payable (Due To Other Funds)</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund	\$ 3,351	Special education property taxes
General Fund	Special Education Pass Through	412,678	AB602 revenue adjustments
General Fund	Nonmajor Governmental Funds	75,082	Reimburse expenses & indirect costs
Special Education Pass Through	General Fund	2,312,219	Prior year AB602 adjustments
Nonmajor Governmental Funds	General Fund	7,663,347	Set aside for construction costs
Self Insurance Fund	General Fund	21,585,369	OPEB
	Total	<u>\$ 32,052,046</u>	

All amounts due are scheduled to be repaid within one year.

2. Interfund Transfers Between Funds

Interfund transfers in and out between funds at June 30, 2019, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund - Special Reserve	\$ 19,355	SERP transfer
General Fund	Nonmajor Governmental Funds	385,000	Capital projects
Nonmajor Governmental Funds	General Fund	8,267,874	Capital projects
	Total	<u>\$ 8,672,229</u>	

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

I. Accounts Payable

Accounts payable balances as of June 30, 2019 consisted of:

	<u>Major Governmental Funds</u>			
	General	Special	Nonmajor	Total
	Fund	Education	Governmental	Governmental
		Pass-Trough	Funds	Funds
		Fund		
Vendor payables	\$ 28,481,812	\$ -	\$ 801,729	\$ 29,283,541
Payroll and related benefits	621,579	-	4,017	625,596
Pass through liabilities	-	67,911,614	-	67,911,614
Totals	<u>\$ 29,103,391</u>	<u>\$ 67,911,614</u>	<u>\$ 805,746</u>	<u>\$ 97,820,751</u>
	<u>Private</u>			
	<u>Purpose Fund</u>			
Vendor payables	\$ 2,731,211			
Payroll and related benefits	<u>3,666</u>			
Totals	<u>\$ 2,734,877</u>			

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

J. Unearned Revenue

Unearned revenue balances as of June 30, 2019 consisted of:

	<u>Major Governmental Funds</u>			
	<u>General</u>	<u>Special</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Education</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Pass-Trough</u>	<u>Funds</u>	<u>Funds</u>
		<u>Fund</u>		
Federal Government				
ESSA School Improvement	\$ 274,545	\$ -	\$ -	\$ 274,545
Title III Technical Assistance	67,379	-	-	67,379
Child Development	-		923,321	923,321
State Government				
Geographic Lead Agency	256,745	-	-	256,745
SELPA Systems Improvement	341,917	-	-	341,917
Tobacco Use Prevention	257,118	-	-	257,118
Other State Programs	175,932	-	232,624	408,556
Local Sources				
Special Education Legal Alliance	189,370	-	-	189,370
Robinson Memorial Scholarship	187,608	-	-	187,608
Fees & Contracts		-	-	-
Totals	<u>\$ 1,750,614</u>	<u>\$ -</u>	<u>\$ 1,155,945</u>	<u>\$ 2,906,559</u>
		<u>Private</u>		
		<u>Purpose Fund</u>		
Local Sources				
Fees & Contracts	<u>\$ 2,542,662</u>			
Totals	<u>\$ 2,542,662</u>			

K. Short-Term Debt Activity

The County Office accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. During the year ended June 30, 2019, the County Office did not enter into any short-term debt agreements.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

L. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications of the governmental funds for the year ended June 30, 2019 consisted of:

	Major Governmental Funds		Nonmajor	
	General	Special	Governmental	
	Fund	Education Pass- Trough Fund	Funds	Total
Nonspendable Fund Balance				
Revolving Cash	\$ 27,400	\$ -	\$ -	\$ 27,400
Prepaid Expenditures	1,824,703	-	-	1,824,703
Total Nonspendable Fund Balance	1,852,103	-	-	1,852,103
Restricted Fund Balance				
Capital Projects	92,556	-	22,574,826	22,667,382
Educational Programs	14,703,675	-	132,141	14,835,816
Other Purposes	4,946,136	-	-	4,946,136
Total Restricted Fund Balance	19,742,367	-	22,706,967	42,449,334
Committed Fund Balance				
Deferred Maintenance	-	-	9,023,199	9,023,199
Total Committed Fund Balance	-	-	9,023,199	9,023,199
Assigned Fund Balance				
Capital Projects	-	-	29,422,396	29,422,396
Educational Programs	55,064,215	-	-	55,064,215
OPEB Reserve	4,230,159	-	-	4,230,159
Pension Reserve	7,000,000	-	-	7,000,000
Vacation Accrual	2,920,362	-	-	2,920,362
Other Assignments	3,102,806	-	-	3,102,806
Total Assigned Fund Balance	72,317,542	-	29,422,396	101,739,938
Unassigned Fund Balance				
For Economic Uncertainties	5,235,333	-	-	5,235,333
Other Unassigned	48,984,912	-	-	48,984,912
Total Unassigned Fund Balance	54,220,245	-	-	54,220,245
Total Fund Balance	\$ 148,132,257	\$ -	\$ 61,152,562	\$ 209,284,819

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

M. Long Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases	\$ 420,492	\$ 458,769	\$ 321,691	\$ 557,570	\$ 266,623
Retirement incentive	5,223,367	-	1,949,471	3,273,896	1,861,377
Compensated absences*	2,812,139	108,223	-	2,920,362	2,920,362
Net pension liability*	157,688,694	-	3,806,804	153,881,890	-
Net OPEB liability*	16,946,534	-	9,929,372	7,017,162	-
Total governmental activities	<u>\$ 183,091,226</u>	<u>\$ 566,992</u>	<u>\$ 16,007,338</u>	<u>\$ 167,650,880</u>	<u>\$ 5,048,362</u>
<u>Private Purpose Trusts</u>					
Compensated absences*	\$ 488,269	\$ -	\$ 316,126	\$ 172,143	\$ 172,143
Net pension liability*	4,451,070	21,163	-	4,472,233	-
Net OPEB liability*	413,874	-	200,103	213,771	-
Total private purpose trusts	<u>\$ 5,353,213</u>	<u>\$ 21,163</u>	<u>\$ 516,229</u>	<u>\$ 4,858,147</u>	<u>\$ 172,143</u>

*Other long-term liabilities

- Payments for capital leases are made from the general fund.
- Payments for retirement incentive are made from the general fund.
- Payments for pension contributions are made from the general fund, nonmajor governmental funds, and private purpose trust funds.
- Payments for OPEB contributions are made from the general fund, nonmajor governmental funds, and private purpose trust funds.
- Payments for compensated absences are made from the general fund, nonmajor governmental funds, and private purpose trust funds.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

2. Capital Leases

During the 2016-17 fiscal year the County Office entered into lease agreements with Dell Financial Services to finance the purchase of computer equipment. The leases call for payments of \$74,215 which are inclusive of principal and accrued interest. Interest accrues at a rate of 9.2%. The total lease amounts were \$269,491 with the first payments made during the 2016-17 fiscal year. The final payment on the leases comes due on May 1, 2020.

During the 2016-17 fiscal year the County Office entered into lease agreements with Dell Financial Services to finance the purchase of computer equipment. The leases call for payments of \$2,068 which are inclusive of principal and accrued interest. Interest accrues at a rate of 4.8%. The total lease amounts were \$7,879 with the first payments made during the 2016-17 fiscal year. The final payment on the leases comes due on June 1, 2020.

During the 2016-17 fiscal year the County Office entered into lease agreements with Dell Financial Services to finance the purchase of computer equipment. The leases call for payments of \$30,196 which are inclusive of principal and accrued interest. Interest accrues at a rate of 7.3%. The total lease amounts were \$112,002 with the first payments made during the 2016-17 fiscal year. The final payment on the leases comes due on July 1, 2019.

During the 2016-17 fiscal year the County Office entered into lease agreements with Apple Inc. to finance the purchase of computer equipment. The leases call for payments of \$11,455 which are inclusive of principal and accrued interest. Interest accrues at a rate of 4.99%. The total lease amounts were \$42,655 with the first payments made during the 2016-17 fiscal year. The final payment on the leases comes due on July 1, 2019.

During the 2017-18 fiscal year the County Office entered into lease agreements with Apple Inc. to finance the purchase of computer equipment. The leases call for payments of \$24,288 which are inclusive of principal and accrued interest. Interest accrues at a rate of 4.89%. The total lease amounts were \$90,566 with the first payments made during the 2017-18 fiscal year.

During the 2017-18 fiscal year the County Office entered into lease agreements with Apple Inc. to finance the purchase of computer equipment. The leases call for payments of \$37,735 which are inclusive of principal and accrued interest. Interest accrues at a rate of 6.173%. The total lease amounts were \$138,277 with the first payments made during the 2017-18 fiscal year.

During the 2017-18 fiscal year the County Office entered into lease agreements with Apple Inc. to finance the purchase of computer equipment. The leases call for payments of \$23,723 which are inclusive of principal and accrued interest. Interest accrues at a rate of 4.65%. The total lease amounts were \$88,769 with the first payments made during the 2017-18 fiscal year.

During the 2018-19 fiscal year the County Office entered into lease agreement with Dell Financial Services to finance the purchase of computer equipment. The lease calls for payments of \$55,590 which are inclusive of principal and accrued Interest. Interest accrues at a rate of 6.39%. The total lease amounts were \$203,105 with the first payment made during the 2018-19 fiscal year. The final payment on the leases comes due by June 30, 2022.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

During the 2018-19 fiscal year the County Office entered into lease agreements with Dell Financial Services to finance the purchase of computer equipment. The lease calls for payments of \$14,117 which are inclusive of principal and accrued interest. Interest accrues at a rate of 6.0%. The total lease amounts were \$51,806 with the first payment made during the 2018-19 fiscal year. The final payment on the leases comes due by June 30, 2022.

During the 2018-19 fiscal year the County Office entered into lease agreements with Apple Inc. to finance the purchase of computer equipment. The lease calls for payments of \$22,149 which are inclusive of principal and accrued interest. Interest accrues at a rate of 5.49%. The total lease amounts were \$81,916 with the first payment made during the 2018-19 fiscal year. The final payment on the leases comes due May 2, 2021.

During the 2018-19 fiscal year the County Office entered into lease agreements with Apple Inc. to finance the purchase of computer equipment. The lease calls for payments of \$17,616 which are inclusive of principal and accrued interest. Interest accrues at a rate of 3.25%. The total lease amounts were \$67,206 with the first payment made during the 2018-19 fiscal year. The final payment on the leases comes due August 20, 2021.

During the 2018-19 fiscal year the County Office entered into lease agreements with Apple Inc. to finance the purchase of computer equipment. The lease calls for payments of \$14,362 which are inclusive of principal and accrued interest. Interest accrues at a rate of 2.99%. The total lease amounts were \$54,994 with the first payment made during the 2018-19 fiscal year. The final payment on the leases comes due March 19, 2022.

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	
2020	\$ 297,615
2021	209,581
2022	<u>101,685</u>
Total Minimum Rentals	608,881
Less: Amounts Representing Interest	<u>(51,311)</u>
Present Value of Minimum Lease Payments	<u>\$ 557,570</u>

3. Retirement Incentive

During the 2017-18 fiscal year the County Office offered a retirement incentive to eligible employees. The incentive called for lump sum payments to retirement accounts for employees who took advantage of the offer varying from \$13,455 to \$79,690 based on position, salary, and service years. The payments are made over a three year period.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

N. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for copy machines provide for minimum future rental payments as of June 30, 2019 as follows:

<u>Year Ending June 30,</u>	
2020	\$ 1,552
Total Minimum Rentals	<u>\$ 1,552</u>

Commitments under operating (noncapitalized) lease agreements for computers provide for minimum future rental payments as of June 30, 2019 as follows:

<u>Year Ending June 30,</u>	
2020	\$ 2,325
Total Minimum Rentals	<u>\$ 2,325</u>

O. Pension Plans

1. General Information about the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement no. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

The Plan's provisions and benefits in effect at June 30, 2019 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55-60	55-62
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.772%	14.772%

*Amounts are limited to 120% of Social Security Wage Base.

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.5%	1.0 - 2.5%*
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	20.040%	20.040%

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), California Education Code §22950 requires members to contribute monthly to the system 10.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS board have been established at 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Education Code §22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending on June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

CalPERS

California Public Employees' Retirement Law §20814(c) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), the employee contribution rate was 7.00% and the employer contribution rate was 20.04% of covered payroll.

On Behalf Payments

Consistent with California Education Code §22955.1, the State of California makes contributions to CalSTRS on behalf of employees working for the County Office. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.647% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the County Offices during the 2018-19 fiscal year in order to reduce contribution rates for School Districts and County Offices of Education in 2019-20 and 2020-21. The contribution resulting from SB90 made up 42% of the total contributions made by the State on behalf of the County Office. Consistent with the requirements of generally accepted accounting principles, the County Office has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the County Office (economic resources measurement focus). Contributions reported for on behalf payments are based on the County Office's proportionate share of the States contribution for the fiscal year. Contributions made by the state on behalf of the County Office and the State's pension expense associated with District employees for the past three fiscal years are as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 3,187,611	\$ 5,346,315
2018	8.292%	3,549,619	1,527,413
2019	14.772%	6,646,392	(1,291,765)

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Governmental Funds Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
<u>Governmental Funds</u>			
Contributions - Employer	\$ 7,325,063	\$ 9,246,405	\$ 16,571,468
Contributions - State On Behalf Payments	6,746,266	-	6,746,266
Total Governmental Funds Contributions	<u>\$ 14,071,329</u>	<u>\$ 9,246,405</u>	<u>\$ 23,317,734</u>

	Enterprise Funds Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
<u>Private Purpose Trust Funds</u>			
Contributions - Employer	\$ -	\$ 461,977	\$ 461,977
Contributions - State On Behalf Payments	-	-	-
Total Private Purpose Trust Funds	<u>\$ -</u>	<u>\$ 461,977</u>	<u>\$ 461,977</u>

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Contributions - Employer	\$ 6,176,908	\$ 8,243,473	\$ 14,420,381
Contributions - State On Behalf Payments	6,746,266	4,133,772	10,880,038
Total Contributions Governmental Activities	<u>12,923,174</u>	<u>12,377,245</u>	<u>25,300,419</u>
<u>Private Purpose Trust Funds</u>			
Contributions - Employer	-	461,977	461,977
Contributions - State On Behalf Payments	-	-	-
Total Contributions Private Purpose Trust	<u>-</u>	<u>461,977</u>	<u>461,977</u>
Total Contributions Government-Wide	<u>\$ 12,923,174</u>	<u>\$ 12,839,222</u>	<u>\$ 25,762,396</u>

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

2. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019 the County Office reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	Proportionate Share of the Net Pension Liability		
	Governmental Activities	Private Purpose Trust	Total
CalSTRS	\$ 74,079,796	\$ -	\$ 74,079,796
CalPERS	79,802,094	4,472,233	84,274,327
Total	<u>\$ 153,881,890</u>	<u>\$ 4,472,233</u>	<u>\$ 158,354,123</u>

The County Office's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to measurement date June 30, 2018 using standard update procedures. The County Office's proportion of the net pension liability was based on a projection of the County Office's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The County Office's proportionate share of the net pension liability for each Plan as of June 30, 2018 and June 30, 2019 were as follows:

	CalSTRS			CalPERS
	County Office's Proportionate Share	State's Proportionate Share*	Total For County Office Employees	County Office's Proportionate Share
<u>Governmental Activities</u>				
Proportion June 30, 2018	0.0807%	0.0479%	0.1286%	94.9135%
Proportion June 30, 2019	0.0806%	0.0463%	0.1269%	94.6932%
Change in Proportion	-0.0001%	-0.0016%	-0.0017%	-0.2202%
<u>Private Purpose Trusts</u>				
Proportion June 30, 2018	0.0000%	0.0000%	0.0000%	5.0865%
Proportion June 30, 2019	0.0000%	0.0000%	0.0000%	5.3068%
Change in Proportion	0.0000%	0.0000%	0.0000%	0.2202%

*Represents State's Proportionate Share on behalf of District employees.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

a. Pension Expense

	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Change in Net Pension Liability (Asset)	\$ (552,688)	\$ (3,254,116)	\$ (3,806,804)
State On Behalf Pension Expense	(1,291,765)	-	(1,291,765)
Employer Contributions to Pension Expense	7,325,063	9,246,405	16,571,468
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(1,072,946)	(984,773)	(2,057,719)
Differences between actual and expected experiences	64,400	(3,444,823)	(3,380,423)
Changes in assumptions	3,226,103	3,585,213	6,811,316
Changes in proportionate share	108,018	70,970	178,988
Net difference between projected and actual earnings	5,236	5,078,476	5,083,712
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	52,668	(562,508)	(509,840)
Changes in assumptions	-	6,031,779	6,031,779
Changes in proportionate share	(797,845)	152,160	(645,685)
Net difference between projected and actual earnings	751,494	(2,331,723)	(1,580,229)
Total Governmental Activities	\$ 7,817,738	\$ 13,587,060	\$ 21,404,798
<u>Private Purpose Trusts</u>			
Change in Net Pension Liability (Asset)	\$ -	\$ 21,163	\$ 21,163
State On Behalf Pension Expense	-	-	-
Employer Contributions to Pension Expense	-	513,164	513,164
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	-	(51,187)	(51,187)
Differences between actual and expected experiences	-	(195,066)	(195,066)
Changes in assumptions	-	192,136	192,136
Changes in proportionate share	-	(162,139)	(162,139)
Net difference between projected and actual earnings	-	279,519	279,519
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	-	(32,178)	(32,178)
Changes in assumptions	-	338,869	338,869
Changes in proportionate share	-	(60,991)	(60,991)
Net difference between projected and actual earnings	-	(143,705)	(143,705)
Total Private Purpose Trusts	\$ -	\$ 699,585	\$ 699,585
Total Pension Expense	\$ 7,817,738	\$ 14,286,645	\$ 22,104,383

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

b. Deferred Outflows and Inflows of Resources

At June 30, 2019, The County Office reported Deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Pension contributions subsequent of measurement date	\$ 7,325,063	\$ 9,246,405	\$ 16,571,468
Differences between actual and expected experience	193,198	5,943,354	6,136,552
Changes in assumptions	9,678,310	10,755,637	20,433,947
Changes in employer's proportionate share	324,053	107,530	431,583
Net difference between projected and actual earnings	7,820	7,996,149	8,003,969
Total Governmental Activities	\$ 17,528,444	\$ 34,049,075	\$ 51,577,519
<u>Private Purpose Trusts</u>			
Pension contributions subsequent of measurement date	-	513,164	513,164
Differences between actual and expected experience	-	328,675	328,675
Changes in assumptions	-	576,406	576,406
Changes in employer's proportionate share	-	218,675	218,675
Net difference between projected and actual earnings	-	435,430	435,430
Total Private Purpose Trusts	-	2,072,350	2,072,350
Total Deferred Outflows of Resources	\$ 17,528,444	\$ 36,121,425	\$ 53,649,869
	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
<u>Governmental Activities</u>			
Differences between actual and expected experience	\$ (65,863)	\$ (562,507)	\$ (628,370)
Changes in assumptions	-	(7,596,800)	(7,596,800)
Changes in employer's proportionate share	(1,086,832)	(160,249)	(1,247,081)
Net difference between projected and actual earnings	(7,815,091)	(7,701,133)	(15,516,224)
Total Governmental Activities	(8,967,786)	(16,020,689)	(24,988,475)
<u>Private Purpose Trust Funds</u>			
Differences between actual and expected experience	-	(32,175)	(32,175)
Changes in assumptions	-	(424,892)	(424,892)
Changes in employer's proportionate share	-	(165,955)	(165,955)
Net difference between projected and actual earnings	-	(419,445)	(419,445)
Total Private Purpose Trust Funds	-	(1,042,467)	(1,042,467)
Total Deferred Inflows of Resources	\$ (8,967,786)	\$ (17,063,156)	\$ (26,030,942)

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five-year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30,	Governmental Activities					
	Deferred Outflows		Deferred Inflows		Net Effect on Expenses	
	of Resources		of Resources			
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2020	\$ 10,728,819	\$ 19,819,178	\$ (3,303,690)	\$ (5,427,191)	\$ 21,817,116	
2021	3,401,104	8,377,559	(2,572,940)	(4,082,174)	5,123,549	
2022	3,398,521	4,795,752	(2,428,528)	(4,082,175)	1,683,570	
2023	-	1,056,586	(662,628)	(2,429,149)	(2,035,191)	
Total	\$ 17,528,444	\$ 34,049,075	\$ (8,967,786)	\$ (16,020,689)	\$ 26,589,044	

Year Ended June 30,	Private Purpose Trusts					
	Deferred Outflows			Deferred Inflows		Net Effect on Expenses
	of Resources		of Resources			
	CalSTRS	CalPERS	CalSTRS	CalPERS		
2020	\$ -	\$ 1,144,021	\$ -	\$ (386,241)	\$ 757,780	
2021	-	507,250	-	(276,646)	230,604	
2022	-	317,805	-	(240,090)	77,715	
2023	-	103,274	-	(139,490)	(36,216)	
Total	\$ -	\$ 2,072,350	\$ -	\$ (1,042,467)	\$ 1,029,883	

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Fiscal Year	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.50%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

- (1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.
- (2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) tables issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rates assumed the contributions from the plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the County Office bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate, and the use of the Discount bond rate calculations is not necessary for either plan. The stress test results are presented in detailed reports that can be obtained from CalPERS and CalSTRS respective websites.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM with an initial expected completion date of November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year average

CalPERS

Asset Class*	Assumed Asset Allocation	Real Return Years 1-10**	Real Return Years 11+***
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

*In the basic financial statements, fixed income is included in global debt securities; liquidity is included in short term investments; inflation assets are included in both global equity securities and global debt securities.

**An expected inflation of 2.00% is used for this period.

***An expected inflation of 2.92% is used for this period.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the County Office's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, 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 or 1 percentage point higher than the current rate:

CalSTRS			
	Governmental	Private	
	Activities	Purpose Trusts	Total
1% Decrease	6.10%	6.10%	6.10%
Net Pension Liability	\$ 108,518,234	\$ -	\$ 108,518,234
Current Discount Rate	7.10%	7.10%	7.10%
Net Pension Liability	\$ 74,079,796	\$ -	\$ 74,079,796
1% Increase	8.10%	8.10%	8.10%
Net Pension Liability	\$ -	\$ -	\$ -

CalPERS			
	Governmental	Private	
	Activities	Purpose Trusts	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 124,294,630	\$ 6,965,663	\$ 131,260,293
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 79,802,094	\$ 4,472,233	\$ 84,274,327
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 43,052,620	\$ 2,412,735	\$ 45,465,355

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

3. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS – Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	County Office's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2018					
(Previously Reported)	\$ 389,435,073	\$ 270,483,280	\$ 118,951,793	\$ 44,319,309	\$ 74,632,484
Changes for the year:					
CalSTRS Auditor Adjustment	-	(646,038)	646,038	235,771	410,267
Change in prop. share	(5,150,120)	(3,577,031)	(1,573,089)	(1,482,458)	(90,631)
Service cost	9,064,841	-	9,064,841	3,308,174	5,756,667
Interest	27,283,368	-	27,283,368	9,956,947	17,326,421
Difference between expected and actual experience	(119,308)	-	(119,308)	(43,541)	(75,767)
Contributions:					
Employer	-	6,176,913	(6,176,913)	(2,254,238)	(3,922,675)
Employee	-	4,437,539	(4,437,539)	(1,619,461)	(2,818,078)
State On Behalf	-	3,549,621	(3,549,621)	(1,295,419)	(2,254,202)
Net investment income	-	23,701,013	(23,701,013)	(8,649,582)	(15,051,431)
Other income	-	133,452	(133,452)	(48,703)	(84,749)
Benefit payments, including refunds of employee contributions	(18,450,411)	(18,450,411)	-	-	-
Administrative expenses	-	(274,259)	274,259	100,090	174,169
Borrowing costs	-	(119,624)	119,624	43,656	75,968
Other expenses	-	(2,130)	2,130	777	1,353
Net changes	12,628,370	14,929,045	(2,300,675)	(1,747,987)	(552,688)
Balance at June 30, 2019	\$ 402,063,443	\$ 285,412,325	\$ 116,651,118	\$ 42,571,322	\$ 74,079,796

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

CalPERS – Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018			
(Previously Reported)	\$ 311,225,029	\$ 228,168,819	\$ 83,056,210
Changes for the year:			
Change in prop. share	(722,182)	(529,454)	(192,728)
Service cost	8,369,358	-	8,369,358
Interest	21,789,502	-	21,789,502
Difference between expected and actual experience	5,282,938	-	5,282,938
Change in assumptions	(8,517,862)	-	(8,517,862)
Contributions:			
Employer	-	8,243,473	(8,243,473)
Employee	-	3,196,159	(3,196,159)
Net investment income	-	19,574,609	(19,574,609)
Plan to plan res. movement	-	(563)	563
Benefit payments, including refunds of employee contributions	(13,408,641)	(13,408,641)	-
Administrative expenses	-	(354,725)	354,725
Other expenses	-	(673,629)	673,629
Net changes	12,793,113	16,047,229	(3,254,116)
Balance at June 30, 2019	\$ 324,018,142	\$ 244,216,048	\$ 79,802,094

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

CalPERS – Private Purpose Trusts

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2018			
(Previously Reported)	\$ 16,678,878	\$ 12,227,808	\$ 4,451,070
Changes for the year:			
Change in prop. share	722,182	529,454	192,728
Service cost	469,032	-	469,032
Interest	1,221,117	-	1,221,117
Difference between expected and actual experience	296,064	-	296,064
Change in assumptions	(477,354)	-	(477,354)
Contributions:			
Employer	-	461,977	(461,977)
Employee	-	179,118	(179,118)
Net investment income	-	1,096,991	(1,096,991)
Plan to plan res. movement	-	(32)	32
Benefit payments, including refunds of employee contributions	(751,441)	(751,441)	-
Administrative expenses	-	(19,879)	19,879
Other expenses	-	(37,751)	37,751
Net changes	1,479,600	1,458,437	21,163
Balance at June 30, 2019	\$ 18,158,478	\$ 13,686,245	\$ 4,472,233

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports available on their respective websites.

P. Post-Employment Benefits Other than Pension (OPEB)

1. Plan Description

The County Office's defined benefit OPEB plan (the Plan), provides OPEB for all permanent fulltime employees of the County Office. The Plan is a single-employer defined benefit OPEB plan administered by the County Office through CalPERS CERBT Trust Fund. Authority to establish and amend the benefit terms and financing requirements lies with the County Office's board of directors.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

2. Benefits Provided

Plan administration: The California Public Employees Retirement System (CalPERS) administers the San Diego County Office of Education Retiree Benefits Plan (Plan) through the California Employers' Retiree Benefit Trust (CERBT). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for employee groups as follows:

Certificated (Teachers Only) Employees

SDCOE provides retiree medical (including prescription drug, mental health and chiropractic benefits), dental and vision benefits to eligible retirees and their dependents. SDCOE's financial obligation is to pay 100% of the cost for single medical coverage subject to an annual maximum to the retiree's attainment of age 65. The maximum amount contributed by SDCOE shall not exceed the amount being contributed by SDCOE for current active employees. The retiree pays for any amounts above SDCOE's contribution for the cost of covering eligible dependents. The retiree also pays for the cost of dental and vision coverage for themselves and eligible dependents.

SDCOE does not provide any retiree health benefits beyond the retiree's attainment of Medicare eligibility age (currently age 65). Dependent coverage (except COBRA continuation) ceases upon the death of the retiree or when the retiree reaches age 65. The retiree shall apply for Medicare benefits when eligible. In the event that the retiree becomes eligible for benefits through Medicare or any other benefit or insurance program prior to the retirees' attainment of age 65, SDCOE will contribute the specified amounts towards a plan which provides comparable benefits as those for a similarly situated current active or retired employee.

Eligibility for retiree health coverage requires retirement under STRS/PERS on or after age 55 with at least ten years of full-time service prior to retirement.

Classified, Management and Other Employees

SDCOE provides retiree medical (including prescription drug, mental health and chiropractic benefits) dental, vision and life (2 x annual salary) benefits to eligible retirees and their dependents. SDCOE's financial obligation is to pay for basic life insurance coverage to age 65 and pay up to 100% of the cost for single medical coverage subject to an annual maximum up to the first day of the month following the employee's eligibility for Medicare or at the beginning of any month in which the employee becomes eligible for other medical coverage. The maximum amount contributed by SDCOE shall not exceed the amount being contributed by SDCOE for current active employees. The retiree pays for any amounts above SDCOE's contribution for the cost of covering eligible dependents. The retiree also pays for the cost of dental and vision coverage for themselves and eligible dependents.

SDCOE does not pay for any retiree health benefits beyond age 65 or Medicare eligibility, if earlier. Dependent coverage (except COBRA continuation) ceases upon death of the retiree or when the retiree reaches age 65 or Medicare eligibility, if earlier.

Eligibility for retiree health coverage requires retirement under STRS/PERS/CERS on or after age 55 with at least 10 years of full-time SDCOE service. Full-time classified employees who have worked in this capacity for 30 years with SDCOE are eligible on or after age 50.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Board Members

SDCOE provides retiree medical (including prescription drug, mental health and chiropractic benefits), dental and vision benefits to eligible retirees and their dependents For Board Members who served in office after January 1, 1981 who were first elected or appointed prior to January 1, 1990 whose total years of service at time of termination is 12 years or more, SDCOE will pay 100% of the cost for medical, dental and vision coverage for the retiree and any eligible dependents for the retiree's lifetime.

For Board Members who were first elected or appointed after January 1, 1990 whose total years of service at time of termination is 12 years or more, SDCOE provided benefits are similar to other retired employees (benefits are provided only between the ages of 55 and 65 or Medicare eligibility).

For Board members first elected or appointed on or after January 1, 1995 or who have not completed 12 years of service, retiree health benefits are only available on a self-pay basis.

3. Contributions

The contribution requirements of Plan members and the San Diego County Office of Education are established and may be amended by the San Diego County Office of Education through negotiations with bargaining units.

4. Plan Membership

Membership of the plan consisted of the following as of the June 30, 2018 valuation date, measured as of June 30, 2019 for fiscal year June 30, 2019:

Inactive plan members or beneficiaries currently receiving benefits	143
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>1,057</u>
	<u><u>1,200</u></u>

5. Net OPEB Liability

The San Diego County Office of Education's net OPEB liability of \$7,230,933 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

6. Actuarial Assumptions and Other Inputs

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:

Inflation	2.75% per annum
Salary increases	3.25% per annum, in aggregate
Discount rate	7.00%
Healthcare cost trend rates	6.50% decreasing to 5.50%
Retiree's Share of Costs	0.00%

Non-economic assumptions:

Mortality

Certificated	Most recent CalSTRS mortality tables
Classified	Most recent CalPERS mortality tables

Termination Rates:

Certificated	Most recent CalSTRS termination rates
Classified	Most Recent CalPERS termination rates

The discount rate assumes SDCOE continues to fully fund for its retiree health benefits through the CERBT under its investment allocation strategy 1.

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the CalPERS Board by a majority vote of its members. It is the policy of CalPERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The CERBT provides participating employers with the choice of three investment allocation strategies. The expected rate of return on assets is dependent on the funding strategy of a participating employer and which investment allocation strategy is selected. For employers fully funding their annual required contribution, Strategy 1 has a CERBT published median yield of 7.28%, Strategy 2 has a published median yield of 6.73% and Strategy 3 has a published median yield of 6.12%. The County Office has elected to participate in CERBT Strategy 1. The objective of CERBT Strategy 1 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

Investment Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. Generally equities are intended to help build the value of the Plans portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation*	Target Range	Benchmark
Global Equity	57%	+ or - 2%	MSCI All Country World Index IMI (net)
Fixed Income	27%	+ or - 2%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities (TIPS)	5%	+ or - 2%	Bloomberg Barclays U.S. TIPS Index, Series L
Real Estate Investment Trusts	8%	+ or - 2%	FTSE EPRA/NAREIT Developed Liquid Index
Commodities	3%	+ or - 2%	S&P GSCI Total Return Index

*Allocations were approved by the CalPERS Board at the October 2014 Investment Committee Meeting

Concentrations

The Plan holds investments explicitly in the CERBT Strategy 1 portfolio which represents an amount greater than 5% of the Plan's fiduciary net position.

7. Changes in Net OPEB Liability

Governmental Activities

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018			
(Previously Reported)	\$ 25,812,244	17,522,548	\$ 8,289,696
Changes for the year:			
Change in proportionate share	(50,059)	(36,329)	(13,730)
Service cost	1,234,871	-	1,234,871
Interest	1,815,610	-	1,815,610
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,760,248)	-	(1,760,248)
Changes of assumptions	641,998	-	641,998
Contributions			-
Employer	-	2,118,811	(2,118,811)
Employee	-	-	-
Net investment income	-	1,080,832	(1,080,832)
Benefit payments, including refunds	(2,118,811)	(2,118,811)	-
Administrative expenses	-	(8,608)	8,608
Net changes	(186,580)	1,035,895	(1,272,534)
Balance at June 30, 2019	\$ 25,625,664	\$ 18,558,443	\$ 7,017,162

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Private Purpose Trusts

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018			
(Previously Reported)	\$ 743,711	504,865	\$ 238,846
Changes for the year:			
Change in proportionate share	50,059	36,329	13,730
Service cost	38,066	-	38,066
Interest	55,968	-	55,968
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(54,261)	-	(54,261)
Changes of assumptions	19,790	-	19,790
Contributions			-
Employer	-	65,315	(65,315)
Employee	-	-	-
Net investment income	-	33,318	(33,318)
Benefit payments, including refunds	(65,315)	(65,315)	-
Administrative expenses	-	(265)	265
Net changes	44,307	69,382	(25,075)
Balance at June 30, 2019	\$ 788,018	\$ 574,247	\$ 213,771

8. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Plan, 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 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability - Governmental Activities	\$ 8,989,559	\$ 7,017,162	\$ 5,207,081
Total OPEB Liability - Private Purpose Trusts	277,112	213,771	160,514
Total OPEB Liability	<u>\$ 9,266,671</u>	<u>\$ 7,230,933</u>	<u>\$ 5,367,595</u>

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

9. Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Plan, as well as what the County Office's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	5.50%	6.50%	7.50%
	decreasing to 4.00%	decreasing to 5.00%	decreasing to 6.00%
Total OPEB Liability - Governmental Activities	\$ 4,731,356	\$ 7,017,162	\$ 9,647,264
Total OPEB Liability - Private Purpose Trusts	145,849	213,771	297,387
Total OPEB Liability	<u>\$ 4,877,205</u>	<u>\$ 7,230,933</u>	<u>\$ 9,944,651</u>

10. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the fiscal year ended June 30, 2019, the County Office recognized OPEB expense of \$1,703,069 between governmental activities and private purpose trusts. At June 30, 2019 the County Office reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Governmental Activities		Private Purpose Trusts	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$(1,509,313)	\$ -	\$ (45,980)
Changes of assumptions	550,477	-	16,770	-
Differences between projected and actual earnings	114,479	(156,087)	3,487	(937)
Change in proportionate share	-	(37,422)	39,473	(2,052)
Total	<u>\$ 664,956</u>	<u>\$(1,702,822)</u>	<u>\$ 59,730</u>	<u>\$ (48,969)</u>

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to OPEB expense over five to seven period. OPEB expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

<u>Year Ending June 30,</u>	<u>Net Change in OPEB Expense</u>
2020	\$ (188,711)
2021	(188,711)
2022	(188,712)
2023	(135,185)
2024	(164,675)
Thereafter	(164,671)

Q. Deferred Outflows of Resources

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the pension plan measurement date and other items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

In accordance with GASB Statement No. 75, items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Current Year Increases</u>	<u>Current Year Amortization</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Pension Related	\$ 58,213,393	\$ 21,854,406	\$ 28,490,280	\$ 51,577,519
OPEB Related	11,655,463	774,056	11,773,576	655,943
Total Governmental Activities	<u>69,868,856</u>	<u>22,628,462</u>	<u>40,263,856</u>	<u>52,233,462</u>
<u>Private Purpose Trusts</u>				
Pension Related	2,135,613	1,029,571	1,092,834	2,072,350
OPEB Related	149,159	36,220	125,649	59,730
Total Private Purpose Trusts	<u>2,284,772</u>	<u>1,065,791</u>	<u>1,218,483</u>	<u>2,132,080</u>
Total Deferred Outflows of Resources	<u>\$ 72,153,628</u>	<u>\$ 23,694,253</u>	<u>\$ 41,482,339</u>	<u>\$ 54,365,542</u>

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Future amortization of deferred outflows is as follows:

Governmental Activities			
Year Ended June 30,	Pension Related	OPEB Related	Total
2020	\$ 30,547,997	\$ 120,366	\$ 30,668,363
2021	11,778,663	120,366	11,899,029
2022	8,194,273	120,366	8,314,639
2023	1,056,586	120,366	1,176,952
2024	-	91,746	91,746
Thereafter	-	82,733	82,733
Total	<u>\$ 51,577,519</u>	<u>\$ 655,943</u>	<u>\$ 52,233,462</u>

Private Purpose Trusts			
Year Ended June 30,	Pension Related	OPEB Related	Total
2020	\$ 1,144,021	\$ 16,015	\$ 1,160,036
2021	507,250	16,015	523,265
2022	317,805	16,015	333,820
2023	103,274	6,126	109,400
2024	-	2,795	2,795
Thereafter	-	2,764	2,764
Total	<u>\$ 2,072,350</u>	<u>\$ 59,730</u>	<u>\$ 2,132,080</u>

R. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, items as outlined in the GASB pronouncement have been recorded as deferred inflows of resources.

In accordance with GASB Statement No. 75, items as outlined in the GASB pronouncement have been recorded as deferred inflows of resources.

A summary of the deferred outflows of resources as of June 30, 2019 is as follows:

	Beginning Balance	Current Year Increases	Current Year Amortization	Ending Balance
<u>Governmental Activities</u>				
Pension Related	\$ 21,692,450	\$ 15,458,903	\$ 12,162,878	\$ 24,988,475
OPEB Related	245,995	1,760,866	313,052	1,693,809
Total Governmental Activities	<u>21,938,445</u>	<u>17,219,769</u>	<u>12,475,930</u>	<u>26,682,284</u>
<u>Private Purpose Trusts</u>				
Pension Related	940,472	697,480	595,485	1,042,467
OPEB Related	2,887	54,673	8,591	48,969
Total Private Purpose Trusts	<u>943,359</u>	<u>752,153</u>	<u>604,076</u>	<u>1,091,436</u>
Total Deferred Inflows of Resources	<u>\$ 22,881,804</u>	<u>\$ 17,971,922</u>	<u>\$ 13,080,006</u>	<u>\$ 27,773,720</u>

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

Future amortization of deferred inflows is as follows:

Governmental Activities			
Year Ended June 30,	Pension Related	OPEB Related	Total
2020	\$ 8,730,881	\$ 315,304	\$ 9,046,185
2021	6,655,114	315,304	6,970,418
2022	6,510,703	315,304	6,826,007
2023	3,091,777	253,805	3,345,582
2024	-	251,552	251,552
Thereafter	-	242,540	242,540
Total	<u>\$ 24,988,475</u>	<u>\$ 1,693,809</u>	<u>\$ 26,682,284</u>

Private Purpose Trusts			
Year Ended June 30,	Pension Related	OPEB Related	Total
2020	\$ 386,241	\$ 9,116	\$ 395,357
2021	276,646	9,116	285,762
2022	240,090	9,116	249,206
2023	139,490	7,338	146,828
2024	-	7,273	7,273
Thereafter	-	7,010	7,010
Total	<u>\$ 1,042,467</u>	<u>\$ 48,969</u>	<u>\$ 1,091,436</u>

S. Risk Management

The County Office is exposed to risk of losses due to:

- Torts,
- Theft of, damage to, or destruction of assets,
- Business interruption,
- Errors or omissions,
- Job related illness or injuries to employees,
- Natural disasters,
- Other risks associated with public entity risk pools

Risk management is the process of managing the County Office's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention, risk transfer to and from an insurer, and risk transfer to a non-insurer.

The County Office has implemented the risk financing technique of risk transfer to an insurer. The County Office has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

There have been no significant changes in property and liability or workers compensation coverage during the current fiscal year.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

T. Participation in Joint Powers Authorities

The County Office participates in the San Diego Schools Risk Management Joint Powers Authority. The relationship between the County Office and the JPA is such that the JPA is not a component unit of the County Office.

The JPA arranges for and provides for various types of insurances for its members as requested. The JPA is governed by a board consisting of a representative from each of its members. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Financial information can be obtained from the JPA directly.

The County Office entered into a Joint Powers Agreement (JPA) with Grossmont Union High School District for the purpose of obtaining lease revenue bonds for the construction of a joint use facility. The JPA entity formed is called the San Diego County Educational Facilities Authority No. 1. The County Office has a 50% interest in the assets and liabilities of the JPA. On June 15, 1995 the JPA issued three series of lease revenue bonds in the amount of \$4,620,000 with interest rates ranging from 5.375% to 6.50%.

In November 2003, the JPA issued new lease revenue bonds in the amount of \$4,155,000 for the purpose of advance refunding \$3,890,000 of the JPA's outstanding 1995 lease revenue bonds and to pay \$125,000 principal of the 1995 lease revenue bonds that matured on August 15, 2004. The new bonds mature from August 15, 2004 to August 15, 2018 with interest rates ranging from 2.0% to 4.25%. The lease revenue bonds have been paid in full. The County Office's interest in the JPA is recorded as Investment in JPA on the Statement of Net Position.

In January 2004, the County Office entered into a Joint Exercise of Powers Agreement with the San Marcos Unified School District. This agreement created and established the San Diego County Educational Facilities Authority No. 2 for the purpose of constructing, owning and operating the North County Regional Education Center (NCREC) on behalf of the County Office and the San Marcos Unified School District.

In February 2005, the County Office issued \$10,875,000 of Certificates of Participation (COPs) to provide funds to finance a portion of the construction costs of the NCREC. These COPs have been fully repaid.

In July 2010, the County Office entered into a Joint Powers Agreement (JPA) with Carlsbad Unified School District, Ramona Unified School District, Coronado Unified School District, Santee School District, San Pasqual Union Elementary School District, Poway Unified School District, Borrego Springs Unified School District, Bonsall School District, Valley Center-Pauma Unified School District and Lakeside Union School District. The JPA entity formed is called the San Diego County Energy Authority. The purpose of the agreement is to develop county-wide energy strategies, services and projects which may reduce local energy use borrowing and utility costs, promote the greater use of existing and new energy products, services and/or projects to provide significant public benefits. The financial activities of the JPA are reflected as a fund within the private purpose trust funds. Additional financial information can be obtained from the JPA.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

In December 2010, the County Office entered into a Joint Powers Agreement (JPA) with Lemon Grove School District, Julian Union High School District, and La Mesa Spring Valley School District. The JPA entity formed is called the K-12 Public School Districts and Community Colleges Facility Authority. The purpose of the JPA is to provide a vehicle for member school Districts to cooperatively develop, plan and undertake school facility projects, including but not limited to, construction, maintenance and stormwater management. Members of the JPA change annually based on projects and needs of school districts and community colleges in San Diego County. Financial activities of the JPA are reflected as a fund within the private purpose trust funds. Additional financial information can be obtained from the JPA.

U. Commitments and Contingencies

1. State and Federal Allowances, Awards, and Grants

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

2. Litigation

The County Office is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County Office as of June 30, 2019.

3. Construction Commitments

The County Office does not have any construction commitments as of June 30, 2019.

V. Contractual Labor Agreements

The County Office currently negotiates labor contracts with two separate labor groups. The two groups, the employees covered, and the terms of each commitment are as follows:

1. California Teachers Association (CTA) – representative for teachers of the County Office. The contractual agreement with the CTA expires on June 30, 2021.
2. California School Employees Association (CSEA) – representative for the office-technical and business services employees of the County Office. The contractual agreement with CSEA expires on June 30, 2020.

San Diego County Office of Education

Notes to the Financial Statements, Continued

June 30, 2019

W. Upcoming Accounting Guidance

The County Office has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. Those newly implemented pronouncements are as follows:

1. GASB 84 – Fiduciary Activities

The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The County Office expects adjustments to be made to the financial statements resulting from the implementation of this GASB Statement but does not expect the adjustments to be material to the financial statements.

2. GASB 90 – Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or a permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. The statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in financial statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The County Office does not currently hold any equity interests in legally separate organizations and as such does not anticipate any adjustments to be made to the financial statements as a result of implementing this GASB Statement.

Required Supplementary Information

San Diego County Office of Education

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance to Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
LCFF State Apportionment	\$ 34,697,863	\$ 37,397,863	\$ 38,397,863	\$ 1,000,000
Education Protection Account Funds	310,000	299,770	299,770	-
Property Taxes	76,869,422	83,875,760	82,820,949	(1,054,811)
Federal Revenue	25,904,610	27,296,271	22,686,523	(4,609,748)
Other State Revenue	60,719,669	70,439,442	65,950,549	(4,488,893)
Other Local Revenue	66,323,470	60,400,041	53,425,810	(6,974,231)
Total Revenues	264,825,034	279,709,147	263,581,464	(16,127,683)
EXPENDITURES:				
Current Expenditures:				
Certificated Salaries	49,195,810	53,396,563	47,429,485	5,967,078
Classified Salaries	52,828,522	54,888,538	49,004,691	5,883,847
Employee Benefits	50,434,275	53,075,870	47,197,569	5,878,301
Books and Supplies	4,912,534	6,033,390	3,160,872	2,872,518
Services and Other Operating Expenditures	99,990,439	117,971,495	74,210,351	43,761,144
Other Outgo	6,263,500	31,319,659	32,681,218	(1,361,559)
Direct Support/Indirect Costs	(288,044)	2,069,518	(255,432)	2,324,950
Capital Outlay	2,274,658	3,025,788	12,131	3,013,657
Debt Service:				
Principal	-	52,934	51,050	1,884
Interest	-	6,823	6,821	2
Total Expenditures	265,611,694	321,840,578	253,498,757	68,341,821
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(786,660)	(42,131,431)	10,082,707	52,214,138
OTHER FINANCING SOURCES (USES):				
Transfers In	269,886	404,355	404,355	-
Transfers Out	-	(8,267,874)	(8,267,874)	-
Other Sources	-	95,023	25,060	(69,963)
Total Other Financing Sources (Uses)	269,886	(7,768,496)	(7,838,459)	(69,963)
NET CHANGE IN FUND BALANCE				
	(516,774)	(49,899,927)	2,244,247	52,144,174
FUND BALANCE, BEGINNING OF YEAR	145,657,851	145,657,851	145,657,851	-
FUND BALANCE, END OF YEAR	\$ 145,141,077	\$ 95,757,924	\$ 147,902,098	\$ 52,144,174

See Accompanying Notes to Required Supplementary Information

San Diego County Office of Education

Budgetary Comparison Schedule – Special Education Pass-Through Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance to Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal Revenue	\$ 60,180,852	\$ 66,418,229	\$ 63,662,556	\$ (2,755,673)
Other State Revenue	158,113,433	162,111,132	160,396,913	(1,714,219)
Total Revenues	218,294,285	228,529,361	224,059,469	(4,469,892)
EXPENDITURES:				
Current Expenditures:				
Other Outgo	218,294,285	228,529,361	224,059,469	4,469,892
Total Expenditures	218,294,285	228,529,361	224,059,469	4,469,892
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ -

See Accompanying Notes to Required Supplementary Information

San Diego County Office of Education

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

Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
County Office's proportion of the net pension liability (asset)	0.0806%	0.0807%	0.0800%	0.0811%	0.0871%	N/A	N/A	N/A	N/A	N/A
County Office's proportionate share of the net pension liability (asset)	\$ 74,079,796	\$ 74,632,484	\$ 64,731,851	\$ 54,601,404	\$ 50,873,537	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the County Office	42,571,321	44,319,309	37,029,841	29,072,485	30,975,609	N/A	N/A	N/A	N/A	N/A
Total	\$116,651,117	\$118,951,793	\$101,761,692	\$ 83,673,889	\$ 81,849,146	N/A	N/A	N/A	N/A	N/A
County Office's covered payroll**	\$ 42,806,015	\$ 42,669,340	\$ 39,763,365	\$ 37,478,973	\$ 38,575,721	N/A	N/A	N/A	N/A	N/A
County Office's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	173.06%	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

San Diego County Office of Education

Schedule of the County Office's Contributions - CalSTRS

Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 7,325,063	\$ 6,176,908	\$ 5,367,803	\$ 4,266,609	\$ 3,328,133	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(7,325,063)	(6,176,908)	(5,367,803)	(4,266,609)	(3,328,133)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered payroll**	\$ 44,994,244	\$ 42,806,015	\$ 42,669,340	\$ 39,763,365	\$ 37,478,973	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on the fiscal year.

San Diego County Office of Education

Schedule of Changes in the County Office's Net Pension Liability and Related Ratios – CalPERS – SDCOE Miscellaneous Plan Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability:										
Service cost	\$ 8,838,390	\$ 8,361,462	\$ 6,924,369	\$ 6,205,483	\$ 6,537,055	N/A	N/A	N/A	N/A	N/A
Interest	23,010,619	22,030,396	20,840,038	19,446,404	18,550,327	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	5,579,002	811,007	3,305,561	(3,511,467)	-	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	(8,995,216)	18,886,739	-	(4,884,842)	-	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(14,160,082)	(12,849,287)	(12,114,878)	(10,083,980)	(9,239,275)	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	14,272,713	37,240,317	18,955,090	7,171,598	15,848,107	N/A	N/A	N/A	N/A	N/A
Total pension liability - beginning	327,903,907	290,663,590	271,708,500	264,536,902	248,688,795	N/A	N/A	N/A	N/A	N/A
Total pension liability - ending (a)	<u>\$342,176,620</u>	<u>\$327,903,907</u>	<u>\$290,663,590</u>	<u>\$271,708,500</u>	<u>\$264,536,902</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan Fiduciary Net Position:										
Contributions - employer	\$ 8,705,450	\$ 8,707,555	\$ 7,591,289	\$ 6,237,980	\$ 5,640,252	N/A	N/A	N/A	N/A	N/A
Contributions - employee	3,375,277	3,340,738	3,189,961	2,825,329	2,592,242	N/A	N/A	N/A	N/A	N/A
Net investment income	20,671,600	24,163,836	1,197,862	4,873,114	31,860,716	N/A	N/A	N/A	N/A	N/A
Administrative expense	(374,604)	(320,910)	(132,630)	(244,919)	-	N/A	N/A	N/A	N/A	N/A
Miscellaneous Income (Expense)	(711,975)	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(14,160,082)	(12,849,287)	(12,114,878)	(10,083,980)	(9,239,275)	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	17,505,666	23,041,932	(268,396)	3,607,524	30,853,935	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	240,396,627	217,354,695	217,623,091	214,015,567	183,161,632	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	<u>\$257,902,293</u>	<u>\$240,396,627</u>	<u>\$217,354,695</u>	<u>\$217,623,091</u>	<u>\$214,015,567</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
County Office's net pension liability - ending (a) - (b)	<u>\$ 84,274,327</u>	<u>\$ 87,507,280</u>	<u>\$ 73,308,895</u>	<u>\$ 54,085,409</u>	<u>\$ 50,521,335</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total pension liability	75.37%	73.31%	74.78%	80.09%	80.90%	N/A	N/A	N/A	N/A	N/A
Covered employee payroll	\$ 50,888,933	\$ 47,246,635	\$ 43,064,675	\$ 39,069,966	\$ 39,048,179	N/A	N/A	N/A	N/A	N/A
County Office's net pension liability as a percentage of covered employee payroll	165.60%	185.21%	170.23%	138.43%	129.38%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

San Diego County Office of Education

Schedule of the County Office's Contributions – CalPERS – SDCOE Miscellaneous Plan

Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 9,759,569	\$ 8,705,450	\$ 8,707,555	\$ 7,591,289	\$ 6,237,980	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the actuarially determined contribution	(9,759,569)	(8,705,450)	(8,707,555)	(7,591,289)	(6,237,980)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered payroll**	\$ 55,168,979	\$ 50,888,933	\$ 47,245,239	\$ 43,064,675	\$ 39,069,966	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	17.69%	17.11%	18.43%	17.63%	15.97%	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on the fiscal year.

San Diego County Office of Education

Schedule of Changes in the County Office's Net OPEB Liability and Related Ratios – SDCOE Retiree Healthcare Plan Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability:										
Service cost	\$ 1,272,937	\$ 1,232,869	\$ 1,152,214	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	1,871,578	1,809,539	1,734,577	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	(1,814,509)	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	661,788	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(2,184,126)	(2,208,296)	(1,584,796)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	(192,332)	834,112	1,301,995	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	26,555,955	25,721,843	24,419,848	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending (a)	<u>\$ 26,363,623</u>	<u>\$ 26,555,955</u>	<u>\$ 25,721,843</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan Fiduciary Net Position:										
Contributions - employer	\$ 2,184,126	\$ 11,208,296	\$ 1,584,795	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions - employee	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	1,114,150	746,595	792,406	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	(8,873)	(6,223)	(4,022)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(2,184,126)	(2,208,296)	(1,584,795)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	1,105,277	9,740,372	788,384	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	18,027,413	8,287,041	7,498,657	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	<u>\$ 19,132,690</u>	<u>\$ 18,027,413</u>	<u>\$ 8,287,041</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
County Office's net OPEB liability - ending (a) - (b)	<u>\$ 7,230,933</u>	<u>\$ 8,528,542</u>	<u>\$ 17,434,802</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	72.57%	67.88%	32.22%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered employee payroll	\$ 90,726,000	\$ 88,940,000	\$ 88,940,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County Office's net OPEB liability as a percentage of covered employee payroll	7.97%	9.59%	19.60%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See Accompanying Notes to Required Supplementary Information

San Diego County Office of Education

Schedule of County Office's Contributions – SDCOE Retiree Healthcare Plan

Last Ten Fiscal Years*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 2,965,117	\$ 2,208,296	\$ 3,216,583	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the actuarially determined contribution	(2,184,126)	(11,208,296)	(1,584,795)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ 780,991</u>	<u>\$ (9,000,000)</u>	<u>\$ 1,631,788</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's covered payroll**	\$ 90,726,000	\$ 88,940,000	\$ 88,940,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	2.41%	12.60%	1.78%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

San Diego County Office of Education

Schedule of Investment Returns – SDCOE Retiree Healthcare Plan

For the Year Ended June 30, 2019

<u>Year</u>	<u>Annual Money- Weighted Rate of Return, Net of Investment Expense</u>
2019	6.18%
2018	7.20%
2017	10.00%
2016	1.60%
2015	N/A
2014	N/A
2013	N/A
2012	N/A
2011	N/A
2010	N/A
2009	N/A

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

N/A – The money-weighted rate of return, net of investment expenses is not available for periods prior to 2016.

San Diego County Office of Education

Notes to Required Supplementary Information

For the Year Ended June 30, 2019

Budgetary Comparison Schedule – General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the County Office's Special Reserve Fund for Other Postemployment Benefits (Fund 20) was included with the general fund as the funds did not meet the definition of special revenue funds under GASB Statement No. 54. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only. Below is a table reconciling between the General Fund as reported in the Basic Financial Statements and the General Fund as reported in the Budgetary Comparison Schedule.

General Fund - Fund Financial Statements Ending Fund Balance	\$ 148,132,258
Less Fund 20 Fund Balance	<u>(230,160)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 147,902,098</u>
 General Fund - Fund Financial Statements Net Change in Fund Balance	 \$ 2,230,365
Change in Fund Balance attributed to Fund 20	<u>13,882</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 2,244,247</u>

Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Other Outgo	\$ 1,361,559	The District underestimated transfers of services to other agencies.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

San Diego County Office of Education

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2019

Schedule of District's Proportionate Share – CalSTRS

1. Benefit Changes: There were no changes to benefits in 2015, 2016, 2017, 2018 and 2019.
2. Changes in Assumptions: There were no changes to assumptions in 2015, 2016, 2017 and 2019. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of District's Contributions – CalSTRS

The total pension liability for California State Teachers' Retirement System (CalSTRS) was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 and 2017 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018	June 30, 2019
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/06 - 06/30/15	07/01/06 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. 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 CalSTRS 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. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on the CalSTRS website.

San Diego County Office of Education

Notes to Required Supplementary Information, Continued
For the Year Ended June 30, 2019

Schedule of District's Proportionate Share – CalPERS

1. Benefit Changes: There were no changes to benefits in 2015, 2016, 2017, 2018 and 2019.
2. Changes in Assumptions. There were no changes in assumptions in 2015 and 2017. In 2016 the discount rate was changed from 7.50% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS experience study and review of actuarial assumptions published December 2017, there were no changes to the discount rate in this period.

Schedule of District's Contributions – CalPERS

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 and 2017 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all periods included in the measurement:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018	June 30, 2019
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.15%	7.50%
Consumer Price Inflation	2.75%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the December 2017 experience study report (based on demographic data from 1997 to 2015) available on the CalPERS website.

San Diego County Office of Education

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2019

Schedule of Changes in the County Office's Net OPEB Liability and Related Ratios

1. Benefit Changes: There were no benefit changes in 2018 and 2019.
2. Changes in Assumptions: There were no changes in assumptions in 2018. Changes in assumptions for the fiscal year ended June 30, 2019 were for a change in the measurement date to align with fiscal year end.
3. The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2019	7.00%
2018	7.00%
2017	7.00%

Schedule of County Office's Contributions to OPEB Plan

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, 2018.

Methods and assumptions used to determine the contribution rate were:

<u>Reporting Period</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Asset Valuation Method	Market Value	Market Value	Market Value
Investment Rate of Return	7.00%	7.00%	7.00%
Consumer Price Inflation	2.75%	2.75%	2.75%
Salary Increases	3.00%	3.00%	3.00%
Healthcare Cost Trend Rates	7% decreasing to 5%	7% decreasing to 5%	6% decreasing to 5%
Average Retirement Age	58 Years	58 Years	58 Years
Mortality	CalPERS & CalSTRS Mortality Rates	CalPERS & CalSTRS Mortality Rates	CalPERS & CalSTRS Mortality Rates

Combining Statements as Supplementary Information

San Diego County Office of Education

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash in County Treasury	\$ 10,700,225	\$ 44,024,335	\$ 54,724,560
Accounts Receivable	340,902	460,526	801,428
Due From Other Funds	-	7,663,347	7,663,347
Total Assets	<u>\$ 11,041,127</u>	<u>\$ 52,148,208</u>	<u>\$ 63,189,335</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 654,760	\$ 150,986	\$ 805,746
Due To Other Funds	75,082	-	75,082
Unearned Revenue	1,155,945	-	1,155,945
Total Liabilities	<u>1,885,787</u>	<u>150,986</u>	<u>2,036,773</u>
Fund Balance:			
Restricted Fund Balance	132,141	22,574,826	22,706,967
Committed Fund Balance	9,023,199	-	9,023,199
Assigned Fund Balance	-	29,422,396	29,422,396
Total Fund Balance	<u>9,155,340</u>	<u>51,997,222</u>	<u>61,152,562</u>
Total Liabilities and Fund Balance	<u>\$ 11,041,127</u>	<u>\$ 52,148,208</u>	<u>\$ 63,189,335</u>

San Diego County Office of Education

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Property Taxes	\$ 1,225,000	\$ -	\$ 1,225,000
Federal Revenue	1,545,682	-	1,545,682
Other State Revenue	4,311,262	-	4,311,262
Other Local Revenue	213,309	4,582,635	4,795,944
Total Revenues	<u>7,295,253</u>	<u>4,582,635</u>	<u>11,877,888</u>
EXPENDITURES:			
Current Expenditures:			
Instruction-Related Services	5,454,118	-	5,454,118
General Administration	255,432	-	255,432
Plant Services	173,571	711,785	885,356
Other Outgo	149,022	-	149,022
Capital Outlay	-	1,025,083	1,025,083
Debt Service:			
Principal	-	270,640	270,640
Interest	-	20,839	20,839
Total Expenditures	<u>6,032,143</u>	<u>2,028,347</u>	<u>8,060,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,263,110</u>	<u>2,554,288</u>	<u>3,817,398</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	8,267,874	8,267,874
Transfers Out	-	(385,000)	(385,000)
Other Sources	-	433,709	433,709
Total Other Financing Sources (Uses)	<u>-</u>	<u>8,316,583</u>	<u>8,316,583</u>
NET CHANGE IN FUND BALANCE	1,263,110	10,870,871	12,133,981
FUND BALANCE, BEGINNING OF YEAR	<u>7,892,230</u>	<u>41,126,351</u>	<u>49,018,581</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,155,340</u>	<u>\$ 51,997,222</u>	<u>\$ 61,152,562</u>

San Diego County Office of Education

Combining Balance Sheet – Nonmajor Special Revenue Funds

June 30, 2019

	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Total Nonmajor Special Revenue Funds
ASSETS:				
Cash in County Treasury	\$ 1,455,167	\$ 9,075,067	\$ 169,991	\$ 10,700,225
Accounts Receivable	240,795	99,368	739	340,902
Total Assets	<u>\$ 1,695,962</u>	<u>\$ 9,174,435</u>	<u>\$ 170,730</u>	<u>\$ 11,041,127</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 332,794	\$ 151,236	\$ 170,730	\$ 654,760
Due To Other Funds	75,082	-	-	75,082
Unearned Revenue	1,155,945	-	-	1,155,945
Total Liabilities	<u>1,563,821</u>	<u>151,236</u>	<u>170,730</u>	<u>1,885,787</u>
Fund Balance:				
Restricted Fund Balance	132,141	-	-	132,141
Committed Fund Balance	-	9,023,199	-	9,023,199
Total Fund Balance	<u>132,141</u>	<u>9,023,199</u>	<u>-</u>	<u>9,155,340</u>
Total Liabilities and Fund Balance	<u>\$ 1,695,962</u>	<u>\$ 9,174,435</u>	<u>\$ 170,730</u>	<u>\$ 11,041,127</u>

San Diego County Office of Education

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2019

	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Total Nonmajor Special Revenue Funds
REVENUES:				
Property Taxes	\$ -	\$ 1,225,000	\$ -	\$ 1,225,000
Federal Revenue	1,398,288	-	147,394	1,545,682
Other State Revenue	4,311,262	-	-	4,311,262
Other Local Revenue	20,276	192,041	992	213,309
Total Revenues	<u>5,729,826</u>	<u>1,417,041</u>	<u>148,386</u>	<u>7,295,253</u>
EXPENDITURES:				
Current Expenditures:				
Instruction-Related Services	5,454,118	-	-	5,454,118
General Administration	255,432	-	-	255,432
Plant Services	-	173,571	-	173,571
Other Outgo	-	-	149,022	149,022
Total Expenditures	<u>5,709,550</u>	<u>173,571</u>	<u>149,022</u>	<u>6,032,143</u>
NET CHANGE IN FUND BALANCE	20,276	1,243,470	(636)	1,263,110
FUND BALANCE, BEGINNING OF YEAR	111,865	7,779,729	636	7,892,230
FUND BALANCE, END OF YEAR	<u>\$ 132,141</u>	<u>\$ 9,023,199</u>	<u>\$ -</u>	<u>\$ 9,155,340</u>

San Diego County Office of Education

Combining Balance Sheet – Nonmajor Capital Projects Funds

June 30, 2019

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Capital Projects Funds
ASSETS:					
Cash in County Treasury	\$ 2,635,107	\$ 15,667,547	\$ 32,294	\$ 25,689,387	\$ 44,024,335
Accounts Receivable	28,830	148,850	353	282,493	460,526
Due From Other Funds	-	-	-	7,663,347	7,663,347
Total Assets	<u>\$ 2,663,937</u>	<u>\$ 15,816,397</u>	<u>\$ 32,647</u>	<u>\$ 33,635,227</u>	<u>\$ 52,148,208</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	\$ -	\$ 127,478	\$ -	\$ 23,508	\$ 150,986
Total Liabilities	<u>-</u>	<u>127,478</u>	<u>-</u>	<u>23,508</u>	<u>150,986</u>
Fund Balance:					
Restricted Fund Balance	-	15,688,919	32,647	6,853,260	22,574,826
Assigned Fund Balance	<u>2,663,937</u>	<u>-</u>	<u>-</u>	<u>26,758,459</u>	<u>29,422,396</u>
Total Fund Balance	<u>2,663,937</u>	<u>15,688,919</u>	<u>32,647</u>	<u>33,611,719</u>	<u>51,997,222</u>
Total Liabilities and Fund Balance	<u>\$ 2,663,937</u>	<u>\$ 15,816,397</u>	<u>\$ 32,647</u>	<u>\$ 33,635,227</u>	<u>\$ 52,148,208</u>

San Diego County Office of Education

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Capital Projects Funds

For the Year Ended June 30, 2019

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Capital Projects Funds
REVENUES:					
Other Local Revenue	\$ 58,469	\$ 3,975,379	\$ 716	\$ 548,071	\$ 4,582,635
Total Revenues	<u>58,469</u>	<u>3,975,379</u>	<u>716</u>	<u>548,071</u>	<u>4,582,635</u>
EXPENDITURES:					
Current Expenditures:					
Plant Services	-	-	-	711,785	711,785
Capital Outlay	-	-	-	1,025,083	1,025,083
Debt Service:					
Principal	-	-	-	270,640	270,640
Interest	-	-	-	20,839	20,839
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,028,347</u>	<u>2,028,347</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>58,469</u>	<u>3,975,379</u>	<u>716</u>	<u>(1,480,276)</u>	<u>2,554,288</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	8,267,874	8,267,874
Transfers Out	-	(250,000)	-	(135,000)	(385,000)
Other Sources	-	-	-	433,709	433,709
Total Other Financing Sources (Uses)	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>8,566,583</u>	<u>8,316,583</u>
NET CHANGE IN FUND BALANCE	58,469	3,725,379	716	7,086,307	10,870,871
FUND BALANCE, BEGINNING OF YEAR	2,605,468	11,963,540	31,931	26,525,412	41,126,351
FUND BALANCE, END OF YEAR	<u>\$ 2,663,937</u>	<u>\$ 15,688,919</u>	<u>\$ 32,647</u>	<u>\$ 33,611,719</u>	<u>\$ 51,997,222</u>

San Diego County Office of Education

Combining Statement of Net Position – Fiduciary Funds – Private Purpose Trusts

June 30, 2019

	Employee Benefits Self-Insurance Trust Fund	Workers' Compensation Self-Insurance Trust Fund	Property & Liability Self-Insurance Trust Fund	Miscellaneous Property Self-Insurance Trust Fund	Joint Facilities Authority Trust Fund	Joint Public Energy Authority Trust Fund	Total Private Purpose Trust Funds
ASSETS:							
Cash in County Treasury	\$ 30,033,023	\$ 80,112,789	\$ 23,788,422	\$ 1,621,243	\$ -	\$ -	\$135,555,477
Cash on Hand and in Banks	100,000	500,000	150,000	-	-	-	750,000
Cash with Fiscal Agent/Trustee	-	-	-	-	7,739,763	996,906	8,736,669
Accounts Receivable	2,392,661	1,447,714	426,894	17,868	-	-	4,285,137
Prepaid Expenses	-	7,925	22,925	-	-	-	30,850
Total Assets	<u>32,525,684</u>	<u>82,068,428</u>	<u>24,388,241</u>	<u>1,639,111</u>	<u>7,739,763</u>	<u>996,906</u>	<u>149,358,133</u>
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred Outflows of Resources - OPEB Related	20,856	10,023	27,533	1,318	-	-	59,730
Deferred Outflows of Resources - Pension Related	849,402	459,590	746,002	17,356	-	-	2,072,350
Total Deferred Outflows of Resources	<u>870,258</u>	<u>469,613</u>	<u>773,535</u>	<u>18,674</u>	<u>-</u>	<u>-</u>	<u>2,132,080</u>
LIABILITIES:							
Current Liabilities:							
Accounts Payable	2,271,311	290,336	170,509	2,721	-	-	2,734,877
Unearned Revenue	2,542,662	-	-	-	-	-	2,542,662
Liability for Underground Storage Tanks	-	-	70,000	-	-	-	70,000
Unpaid Self-Insurance Claim Liabilities	4,284,754	44,481,730	15,174,838	41,911	-	-	63,983,233
Total Current Liabilities	<u>9,098,727</u>	<u>44,772,066</u>	<u>15,415,347</u>	<u>44,632</u>	<u>-</u>	<u>-</u>	<u>69,330,772</u>
Long-Term Liabilities:							
Compensated Absences Payable	74,472	58,019	38,959	693	-	-	172,143
Net OPEB Liability	85,277	48,940	78,039	1,515	-	-	213,771
Net Pension Liability	1,851,296	1,005,490	1,581,691	33,756	-	-	4,472,233
Total Long-Term Liabilities	<u>2,011,045</u>	<u>1,112,449</u>	<u>1,698,689</u>	<u>35,964</u>	<u>-</u>	<u>-</u>	<u>4,858,147</u>
Total Liabilities	<u>11,109,772</u>	<u>45,884,515</u>	<u>17,114,036</u>	<u>80,596</u>	<u>-</u>	<u>-</u>	<u>74,188,919</u>
DEFERRED INFLOWS OF RESOURCES:							
Deferred Inflows of Resources - OPEB Related	18,896	12,692	16,785	596	-	-	48,969
Deferred Inflows of Resources - Pension Related	439,068	241,487	351,295	10,617	-	-	1,042,467
Total Deferred Inflows of Resources	<u>457,964</u>	<u>254,179</u>	<u>368,080</u>	<u>11,213</u>	<u>-</u>	<u>-</u>	<u>1,091,436</u>
NET POSITION:							
Held in Trust	21,828,206	36,399,347	7,679,660	1,565,976	7,739,763	996,906	76,209,858
Total Net Position	<u>\$ 21,828,206</u>	<u>\$ 36,399,347</u>	<u>\$ 7,679,660</u>	<u>\$ 1,565,976</u>	<u>\$ 7,739,763</u>	<u>\$ 996,906</u>	<u>\$ 76,209,858</u>

San Diego County Office of Education

Combining Statement of Activities – Fiduciary Funds – Private Purpose Trusts

June 30, 2019

	Employee Benefits Self-Insurance Trust Fund	Workers' Compensation Self-Insurance Trust Fund	Property & Liability Self-Insurance Trust Fund	Miscellaneous Property Self-Insurance Trust Fund	Joint Facilities Authority Trust Fund	Joint Public Energy Authority Trust Fund	Total Private Purpose Trust Funds
REVENUES:							
Investment Income	\$ 647,795	\$ 1,688,664	\$ 572,636	\$ 37,556	\$ 35,759	\$ 4,223	\$ 2,986,633
Participant Fees	50,432,407	29,121,542	15,603,475	625,505	5,560,073	248,195	101,591,197
Commissions and Refunds	1,227,707	-	-	-	-	-	1,227,707
Total Revenues	<u>52,307,909</u>	<u>30,810,206</u>	<u>16,176,111</u>	<u>663,061</u>	<u>5,595,832</u>	<u>252,418</u>	<u>105,805,537</u>
EXPENSES:							
Claims Paid, Net of Recoveries	37,312,328	18,114,244	6,612,778	126,287	-	-	62,165,637
Insurance Premiums	12,899,949	11,669,090	7,975,745	430,322	-	-	32,975,106
Administrative Expenses	1,916,398	1,279,223	1,499,566	22,609	12,425	-	4,730,221
Construction Projects	-	-	-	-	9,824,422	1,047,696	10,872,118
Total Expenses	<u>52,128,675</u>	<u>31,062,557</u>	<u>16,088,089</u>	<u>579,218</u>	<u>9,836,847</u>	<u>1,047,696</u>	<u>110,743,082</u>
CHANGE IN NET POSITION	179,234	(252,351)	88,022	83,843	(4,241,015)	(795,278)	(4,937,545)
NET POSITION - BEGINNING OF YEAR	<u>21,648,972</u>	<u>36,651,698</u>	<u>7,591,638</u>	<u>1,482,133</u>	<u>11,980,778</u>	<u>1,792,184</u>	<u>81,147,403</u>
NET POSITION - END OF YEAR	<u>\$ 21,828,206</u>	<u>\$ 36,399,347</u>	<u>\$ 7,679,660</u>	<u>\$ 1,565,976</u>	<u>\$ 7,739,763</u>	<u>\$ 996,906</u>	<u>\$ 76,209,858</u>

San Diego County Office of Education

Combining Statement of Net Position – Fiduciary Funds – Agency Funds

June 30, 2019

	Warrant/ Pass-Through Fund	Student Body Fund	Total Agency Funds
ASSETS:			
Cash in County Treasury	\$ 56,822,153	\$ -	\$ 56,822,153
Cash on Hand and in Banks	-	1,696	1,696
Total Assets	<u>56,822,153</u>	<u>1,696</u>	<u>56,823,849</u>
LIABILITIES:			
Current Liabilities:			
Due to Student Groups/Other Groups	<u>56,822,153</u>	<u>1,696</u>	<u>56,823,849</u>
Total Liabilities	<u>56,822,153</u>	<u>1,696</u>	<u>56,823,849</u>
NET POSITION:			
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplementary Information

San Diego County Office of Education

Local Education Agency Organization Structure

June 30, 2019

The San Diego County Board of Education has operated under the laws of the State of California continuously since the 1800's. The Board of Education became fiscally independent of the San Diego County Board of Supervisors on July 1, 1970. There were no changes in the boundaries of the Board of Education during the current fiscal year. The Board of Education currently maintains and operates juvenile court and community schools, classes for preschool handicapped children, special education program, migrant education program, and outdoor education facilities.

GOVERNING BOARD

Name	Office	Term and Term Expiration
Paulette Donnellon	President	Four Year Term Expires January 2021
Mark Powell	Vice President	Four Year Term Expires January 2021
Guadalupe González	Member	Four Year Term Expires January 2021
Alicia Muñoz	Member	Four Year Term Expires January 2023
Richard P. Shea	Member	Four Year Term Expires January 2023

ADMINISTRATION

Paul Gothold, Ed.D
Superintendent

Michael Simonson
Deputy Superintendent
Chief Business Officer
Business Services Division

Andrienne Loree
Executive Director
Internal Business Services

San Diego County Office of Education

Schedule of Average Daily Attendance

Year Ended June 30, 2019

	Second Period Report		Annual Report	
	Original A60B02CE	Revised	Original BDDD0DBAF	Revised
Elementary				
Juvenile Halls, Homes and Camp	27.84	N/A	29.66	N/A
Probation Referred, on Probation or Parole, Expelled Pursuant to EC §48915	225.58	N/A	233.30	N/A
Elementary Totals	253.42	N/A	262.96	N/A
High School				
Juvenile Halls, Homes and Camp	539.39	N/A	526.30	N/A
Probation Referred, on Probation or Parole, Expelled Pursuant to EC §48915	706.04	N/A	698.08	N/A
High School Totals	1,245.43	N/A	1,224.38	N/A
Total ADA	1,498.85	N/A	1,487.34	N/A

N/A – There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the County Office. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to county offices of education, school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

San Diego County Office of Education

Schedule of Instructional Time

Year Ended June 30, 2019

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
N/A	N/A	N/A	N/A	N/A

NA – Not applicable for county offices of education.

This schedule presents information on the amount of instructional time offered by the County Office and whether the County Office complied with the provisions of Education Code §46201 through §46207. The County Office has met or exceeded its target funding.

San Diego County Office of Education

Schedule of Financial Trends and Analysis

Year Ended June 30, 2019

<u>General Fund</u>	<u>Budget 2020 (See Note 1)</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues and Other Financing Sources	\$ 283,723,429	\$ 264,010,879	\$ 248,241,799	\$ 249,775,699
Expenditures and Other Financing Uses	283,760,595	261,766,631	245,007,864	228,186,062
Net Change in Fund Balance	(37,166)	2,244,248	3,233,935	21,589,637
Ending Fund Balance	<u>\$ 147,864,932</u>	<u>\$ 147,902,098</u>	<u>\$ 145,657,850</u>	<u>\$ 142,423,915</u>
Available Reserves	<u>\$ 54,044,863</u>	<u>\$ 54,220,245</u>	<u>\$ 55,197,983</u>	<u>\$ 32,693,972</u>
Available Reserves as a Percentage of Total Outgo	19.05%	20.71%	22.53%	14.33%
Long Term Debt	<u>\$ 1,655,373</u>	<u>\$ 3,831,467</u>	<u>\$ 5,643,860</u>	<u>\$ 288,213</u>
Average Daily Attendance at P2	<u>1,550</u>	<u>1,499</u>	<u>1,540</u>	<u>1,520</u>

This schedule discloses the County Office's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the County Office's ability to continue as a going concern for a reasonable period of time.

The general fund balance has increased by \$5,478,183 (3.8%) over the past two years. The fiscal year 2019-20 budget projects a decrease of \$37,166 (0.03%). For a district of this size, the State recommends available reserves of at least 2% of total general fund expenditures and other financing uses (total outgo).

Total long-term debt has increased by \$3,543,254 over the past two years.

Average daily attendance has decreased by 21 over the past two years.

Notes:

1. Budget 2020 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all unassigned fund balances contained within the general fund.
3. Total long-term debt consists of capital leases and early retirement incentive.
4. As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the County Office's Special Reserve Fund for Other Postemployment Benefits was included with the general fund in the basic financial statements. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

San Diego County Office of Education

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements Year Ended June 30, 2019

	General Fund (Fund 01)	Special Reserve Fund for Other Postemployment Benefits (Fund 20)
June 30, 2019, annual financial and budget report fund balances	<u>\$ 147,902,098</u>	<u>\$ 230,160</u>
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB 54 Fund Presentation (Note 1)	<u>230,160</u>	<u>(230,160)</u>
Net adjustments and reclassifications	<u>230,160</u>	<u>(230,160)</u>
June 30, 2019, audited financial statement fund balances	<u><u>\$ 148,132,258</u></u>	<u><u>\$ -</u></u>

Note 1: The Special Reserve Fund for Other Postemployment benefits (Fund 20) does not meet the definition of a special revenue fund under the provisions of GASB Statement No. 54. As a result, the fund is being combined with the General Fund for presentation in the basic financial statements.

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Annual Financial and Budget Report with the audited financial statements. Funds that required no adjustment are not presented.

San Diego County Office of Education

Schedule of Charter Schools

Year Ended June 30, 2019

The following charter schools are chartered by San Diego County Office of Education:

<u>Charter Schools</u>	<u>Charter Number</u>	<u>Included in Audit?</u>
Literacy First Charter School	0405	No
Dimensions Collaborative School	1946	No
Community Montessori	1947	No
School of Universal Learning - SOUL	1872	No
Scholarship Prep Charter School-Oceanside	1883	No
Pacific Springs Charter	1989	No
Classical Academy Vista	2016	No
National University Academy Dual Language Institute	2023	No
JCS Manzanita	2024	No

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

San Diego County Office of Education

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Subrecipient Expenditures</u>	<u>Total Federal Expenditures</u>
CCDF Cluster				
<u>U.S. Department of Health and Human Services</u>				
Passed Through San Diego County Department of Health and Human Services:				
Child Development Quality Improvement	93.575	14092/ 14872	\$ 59,600	\$ 1,398,289
Child Development Local Planning	93.575	555650	-	55,046
Total CCDF Cluster			<u>59,600</u>	<u>1,453,335</u>
Child Nutrition Cluster				
<u>U.S. Department of Agriculture</u>				
Passed through California Department of Education				
School Breakfast Program	10.553	13525	76,045	99,775
National School Lunch Program	10.555	13396	231,796	304,133
National School Lunch Noncash Commodities	10.555	13396	-	56,315
Total Child Nutrition Cluster			<u>307,841</u>	<u>460,223</u>
Forest Service Schools and Roads Cluster				
<u>U.S. Department of Agriculture</u>				
Passed through California Department of Education				
Forest Reserve Funds	10.665	10044	<u>149,022</u>	<u>149,022</u>
Total Forest Service Schools and Roads Cluster			<u>149,022</u>	<u>149,022</u>
Special Education (IDEA) Cluster				
<u>U.S. Department of Education</u>				
Passed through California Department of Education				
IDEA Basic Local Assistance	84.027	13379	57,186,493	57,709,350
IDEA Mental Health	84.027	15197	3,666,285	3,699,136
IDEA Preschool Local	84.027	13682	675,062	675,062
IDEA Alternative Dispute Resolution	84.027	13007	-	62,394
IDEA Supporting Inclusive Practices	84.027	15321	-	4,458
IDEA Preschool Grants	84.173	13430	2,035,909	2,042,330
IDEA Preschool Staff Development	84.173	13431	<u>21,051</u>	<u>21,273</u>
Total Special Education (IDEA) Cluster			<u>63,584,800</u>	<u>64,214,003</u>

San Diego County Office of Education

Schedule of Expenditures of Federal Awards, Continued

For the Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Total Federal Expenditures
Other Programs				
<u>U.S. Department of the Interior</u>				
Direct Program				
Wild Life Reserve Funds	15.663	-	-	1,603
<u>U.S. Department of Labor</u>				
Direct Program				
Pathway to Justice Careers	17.270	-	-	371,243
<u>U.S. Department of Health and Human Services</u>				
Passed through San Diego County Department of Health and Human Services:				
Foster Care	93.658	525896	-	76,196
Friday Night Live	93.959	521100	-	310,000
Passed through California Department of Education				
Project Cal-Well	93.243	15289	75,000	548,392
<u>U.S. Department of Education</u>				
Direct Programs				
Native American Grant	84.299	-	-	112,839
Passed through California Department of Education				
Title I Basic	84.010	14329	-	1,958,397
Title I Local Delinquent	84.010	14357	-	1,628,254
Title I Comprehensive Support and Innovation	84.010	15439	-	46,005
Migrant Education	84.011	14838	1,119,173	6,601,968
IDEA Early Intervention	84.181	23761	77,756	1,251,059
Education for Homeless Children and Youth	84.196	14332	-	245,938
21st Century Learning	84.287	14535	8,064,339	8,998,442
Title III English Learner	84.365	14346	-	130,616
Title III Technical Assistance	84.365	14967	119,000	409,029
Title II Supporting Effective Instruction	84.367	14341	-	82,665
Title IV Student Support	84.424	15396	-	70,460
Total Other Programs			9,455,268	22,843,106
Total Expenditures of Federal Awards			<u>\$ 73,556,531</u>	<u>\$ 89,119,689</u>

San Diego County Office of Education

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County Office and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The County Office used an indirect cost rate of 9.40% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The County Office did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the County Office:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
IDEA Preschool Grants	84.173	4.74%
IDEA Preschool Staff Development	84.173	4.24%
IDEA Alternative Dispute Resolution	84.027	4.00%
21st Century Learning	84.287	5.00%
Title III English Learner	84.365	2.00%
School Breakfast Program	10.553	5.41%
National School Lunch Program	10.555	5.41%

Schoolwide Program

The County Office operates “schoolwide programs” at four school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the County Office in its schoolwide programs:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$ 1,958,397

Other Independent Auditors' Reports

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Education
San Diego County Office of Education
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited San Diego 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 San Diego County Office of Education's major federal programs for the year ended June 30, 2019. San Diego 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 San Diego 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 San Diego 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 San Diego County Office of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, San Diego 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.

Report on Internal Control Over Compliance

Management of San Diego 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 San Diego County Office of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Diego 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

William A. Kelly King & Co., LLP

El Cajon, California
December 16, 2019

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*

To the Board of Education
San Diego County Office of Education
San Diego, 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 San Diego County Office of Education (County Office), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Diego County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of San Diego 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County Office'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 County Office's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

William A. Alley King & Co., LLP

El Cajon, California
December 16, 2019

Independent Auditor's Report on State Compliance

To the Board of Education
San Diego County Office of Education
San Diego, California

Report on State Compliance

We have audited the San Diego County Office of Education's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of the school's state programs identified below for the fiscal year ended June 30, 2019.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. 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's audit guide *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards and 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 direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about each school'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. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performs</u>
Local Education Agencies Other Than Charter Schools	
A. Attendance.....	Yes
B. Teacher Certification and Misassignments.....	Yes
C. Kindergarten Continuance.....	N/A
D. Independent Study.....	Yes
E. Continuation Education.....	N/A
F. Instructional Time.....	N/A
G. Instructional Materials.....	Yes
H. Ratio of Administrative Employees to Teachers.....	N/A
I. Classroom Teacher Salaries.....	N/A
J. Early Retirement Incentive.....	N/A
K. Gann Limit Calculation.....	Yes
L. School Accountability Report Card.....	Yes
M. Juvenile Court Schools.....	Yes
N. Middle or Early College High Schools.....	N/A
O. K-3 Grade Span Adjustment.....	N/A
P. Transportation Maintenance of Effort.....	Yes
Q. Apprenticeship: Related and Supplemental Instruction.....	N/A
R. Comprehensive School Safety Plan.....	Yes
S. District of Choice.....	N/A
School Districts, County Offices of Education, and Charter Schools	
T. California Clean Energy Jobs Act.....	Yes
U. After/Before School Education and Safety Program.....	Yes
V. Proper Expenditure of Education Protection Account Funds.....	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X. Local Control and Accountability Plan.....	Yes
Y. Independent Study - Course Based.....	N/A
Charter Schools	
AA. Attendance.....	N/A
BB. Mode of Instruction.....	N/A
CC. Nonclassroom Based Instruction/Independent Study.....	N/A
DD. Determination of Funding for Nonclassroom Based Instruction.....	N/A
EE. Annual Instructional Minutes - Classroom Based.....	N/A
FF. Charter School Facility Grant Program.....	N/A

The term N/A is used above to mean either the school did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, San Diego County Office of Education complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing. This report is an integral part of an audit performed in accordance with *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Accordingly, this report is not suitable for any other purpose.

William A. Kelley King & Co., LLP

El Cajon, California
December 16, 2019

Auditor's Results, Findings & Recommendations

San Diego County Office of Education

Schedule of Auditor's Results

Year Ended June 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

 Yes X No

One or more significant deficiencies identified that are
not considered material weakness(es)?

 Yes X No

Noncompliance material to financial statements noted?

 Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified?

 Yes X No

One or more significant deficiencies identified that are
not considered material weakness(es)?

 Yes X No

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

Unmodified

Compliance supplement(s) utilized for single audit

August 2019

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR §200.516?

 Yes X No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A
and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

STATE AWARDS

Any audit findings disclosed that are required to be reported
in accordance with *2018-19 Guide for Annual Audits
of California K-12 Local Education Agencies?*

 Yes X No

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

Unmodified

San Diego County Office of Education

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

A. Financial Statement Findings

None

B. Federal Award Findings

None

C. State Award Findings

None

San Diego County Office of Education

Schedule of Prior Year Audit Findings

Year Ended June 30, 2019

<u>Finding/Recommendation</u>	<u>Status</u>	<u>Explanation if Not Implemented</u>
There were no findings in the prior year audit report		