

CONTRA COSTA COUNTY OFFICE OF EDUCATION

AUDIT REPORT
JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

CONTRA COSTA COUNTY OFFICE OF EDUCATION
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Contra Costa County Office of Education
Pleasant Hill, 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 Contra Costa County Office of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Contra Costa County Office of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Christy White, CPA

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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 Contra Costa County Office of Education, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2018 Contra Costa County Office of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of County Office of Education contributions for pensions, be presented to supplement the basic financial statements. Such information, although not 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 appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Contra Costa County Office of Education's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) 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 basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of Contra Costa 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 Contra Costa County Office of Education'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 Contra Costa County Office of Education's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 10, 2018

CONTRA COSTA COUNTY OFFICE OF EDUCATION OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

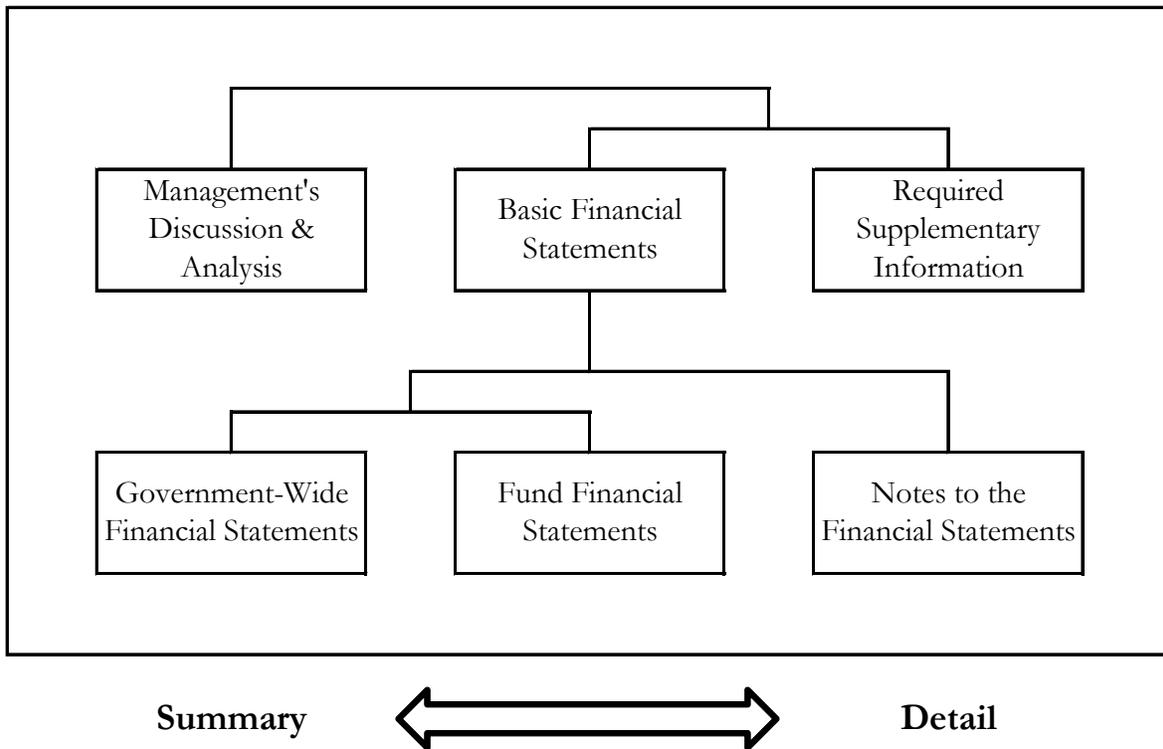
Our discussion and analysis of Contra Costa County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the County Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The County Office of Education's total net position was \$(13.6 million) at June 30, 2018. This was a decrease of \$1.6 million from the prior year after restatement.
- ▶ Overall revenues were \$94.4 million which exceeded expenses of \$92.8 million.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**CONTRA COSTA COUNTY OFFICE OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the County Office of Education. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of County Office of Education operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office of Education’s programs.

 - ▶ **Fiduciary Funds** report balances for which the County Office of Education is a custodian or *trustee* of the funds, such as warrant pass through and pension funds.

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

Government-Wide Statements

The government-wide statements report information about the County Office of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the County Office of Education’s net position and how it has changed. Net position is one way to measure the County Office of Education’s financial health or position. Over time, increases or decreases in the County Office of Education’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the County Office of Education include governmental activities. All of the County Office of Education’s basic services is included here, such as regular education, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The County Office of Education's net position was \$(13.6 million) at June 30, 2018, as reflected in the table below. Of this amount, \$(56.8 million) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2018	2017	Net Change
ASSETS			
Current and other assets	\$ 37,298,306	\$ 39,047,652	\$ (1,749,346)
Capital assets	28,945,115	29,470,611	(525,496)
Total Assets	66,243,421	68,518,263	(2,274,842)
DEFERRED OUTFLOWS OF RESOURCES	19,040,551	11,580,459	7,460,092
LIABILITIES			
Current liabilities	10,633,852	15,049,212	(4,415,360)
Long-term liabilities	82,648,816	61,682,563	20,966,253
Total Liabilities	93,282,668	76,731,775	16,550,893
DEFERRED INFLOWS OF RESOURCES	5,627,237	5,455,833	171,404
NET POSITION			
Net investment in capital assets	26,762,011	27,050,084	(288,073)
Restricted	16,431,169	14,770,465	1,660,704
Unrestricted	(56,819,113)	(43,909,435)	(12,909,678)
Total Net Position	\$ (13,625,933)	\$ (2,088,886)	\$ (11,537,047)

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the County Office of Education as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges slightly, so you can see our total revenues and expenses for the year.

The County Office of Education's total revenues relating to governmental activities were \$94.4 million, consisting mostly of federal and state aid, categorical programs, and property taxes.

The County Office of Education's total expenditures relating to governmental activities were \$92.8 million, predominately related to educating and caring for students.

	Governmental Activities		
	2018	2017	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 19,152,369	\$ 19,795,316	\$ (642,947)
Operating grants and contributions	41,617,809	45,401,407	(3,783,598)
Capital grants and contributions	3,106	2,181	925
General revenues			
Property taxes	14,718,227	14,305,653	412,574
Unrestricted federal and state aid	13,333,417	12,940,975	392,442
Other	5,571,300	4,048,033	1,523,267
Total Revenues	94,396,228	96,493,565	(2,097,337)
EXPENSES			
Instruction	33,930,013	35,453,626	(1,523,613)
Instruction-related services	16,435,172	18,423,782	(1,988,610)
Pupil services	10,443,029	8,810,954	1,632,075
General administration	13,260,156	11,941,404	1,318,752
Plant services	3,129,215	2,734,047	395,168
Debt service	153,699	149,980	3,719
Other outgo	13,675,643	12,873,565	802,078
Depreciation	1,332,602	1,376,557	(43,955)
Other	434,925	457,722	(22,797)
Total Expenses	92,794,454	92,221,637	572,817
Change in net position	1,601,774	4,271,928	(2,670,154)
Net Position - Beginning, as Restated*	(15,227,707)	(6,360,814)	(8,866,893)
Net Position - Ending	\$ (13,625,933)	\$ (2,088,886)	\$ (11,537,047)

**Beginning Net Position was restated for the 2018 year only*

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The net cost of all our governmental activities this year was \$32.0 million (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was \$14.7 million; the remaining cost was mostly paid by other governments and organizations who subsidized certain programs with grants and contributions (\$41.6 million).

	Net Cost of Services	
	2018	2017
Instruction	\$ 6,797,346	\$ 7,330,659
Instruction-related services	6,703,720	5,874,621
Pupil services	4,301,526	2,911,856
General administration	9,710,274	8,004,227
Plant services	2,092,054	1,628,416
Debt service	153,699	149,980
Transfers to other agencies	495,024	(711,305)
Depreciation	1,332,602	1,376,557
Other	434,925	457,722
Total Expenses	\$ 32,021,170	\$ 27,022,733

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION’S MAJOR FUNDS

The financial performance of the County Office of Education as a whole is reflected in its governmental funds as well. As the County Office of Education completed this year, its governmental funds reported a combined fund balance of \$27.0 million, which is more than last year’s ending fund balance of \$24.7 million. The County Office of Education’s County School Service Fund had \$4.5 million more in operating revenues than expenditures for the year ended June 30, 2018. The Adult Education Fund had \$1.0 million less in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017 2018

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval regularly to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the County Office of Education’s financial projections and current budget based on State and local financial information. For the County School Service fund, there were no significant variations between original and final budget and final budget and actual.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018 the County Office of Education had invested \$28.9 million in capital assets, net of accumulated depreciation. The County Office of Education had less projects in 2017-18 fiscal year that led to the decrease in capital assets.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	\$ 5,558,353	\$ 5,558,353	\$ -
Construction in progress	-	276,047	(276,047)
Land improvements	1,123,514	1,123,514	-
Buildings & improvements	38,347,106	37,942,480	404,626
Furniture & equipment	3,643,726	3,292,733	350,993
Accumulated depreciation	(19,727,584)	(18,722,516)	(1,005,068)
Total Capital Assets	\$ 28,945,115	\$ 29,470,611	\$ (525,496)

Long-Term Debt

At year-end, the County Office of Education had \$82.6 million in long-term debt, an increase of 33.99% from last year after the OPEB liability restatement – as shown in the table below. (More detailed information about the County Office of Education's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 2,159,105	\$ 2,384,980	\$ (225,875)
Capital leases	23,999	35,547	(11,548)
Early retirement incentive	-	451,948	(451,948)
Compensated absences	943,033	989,550	(46,517)
Total OPEB liability*	20,359,383	6,401,668	13,957,715
Net pension liability	59,410,081	52,109,212	7,300,869
Less: current portion of long-term debt	(246,785)	(690,342)	443,557
Total Long-term Liabilities	\$ 82,648,816	\$ 61,682,563	\$ 20,966,253

*Total OPEB liability for July 1, 2017 was restated in order to record the County Office of Education's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the County Office of Education was aware of several circumstances that could affect its future financial health.

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

While growth in Proposition 98 funding distributed through the LCFF has provided increased revenues to most school districts in the State in recent years, this is not the case for the County Office. Like many other county offices, the Contra Costa County Office is in "hold harmless" status under LCFF, meaning the County Office's LCFF state entitlement funding level has been held constant at 2012-13 levels. This means that as expenses rise due to inflation and other factors the County Office cannot control (see pension note below), the County Office has three choices: 1) cut services over time, 2) find ways to maintain services with fewer staff and resources, or 3) find new sources of revenue to maintain services.

The County Office participates in state employee pensions plans, PERS and STRS, and both are underfunded. The County Office's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the County Office. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

All of these factors were considered in preparing the County Office's budget for the 2018-19 fiscal year.

CONTACTING THE COUNTY OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the County Office of Education's finances and to show the County Office of Education's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the County Office of Education's Business Office, at the Contra Costa County Office of Education, 77 Santa Barbara Road; Pleasant Hill, California.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 29,127,409
Accounts receivable	8,170,897
Capital assets, not depreciated	5,558,353
Capital assets, net of accumulated depreciation	23,386,762
Total Assets	66,243,421
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	17,847,953
Deferred outflows related to OPEB	1,192,598
Total Deferred Outflows of Resources	19,040,551
LIABILITIES	
Accrued liabilities	3,519,547
Unearned revenue	6,867,520
Long-term liabilities, current portion	246,785
Long-term liabilities, non-current portion	82,648,816
Total Liabilities	93,282,668
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	5,627,237
Total Deferred Inflows of Resources	5,627,237
NET POSITION	
Net investment in capital assets	26,762,011
Restricted:	
Capital projects	210,214
Educational programs	16,220,955
Unrestricted	(56,819,113)
Total Net Position	\$ (13,625,933)

The accompanying notes are an integral part of these financial statements.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 33,930,013	\$ 11,704,622	\$ 15,424,939	\$ 3,106	\$ (6,797,346)
Instruction-related services					
Instructional supervision and administration	11,307,193	871,946	5,605,052	-	(4,830,195)
Instructional library, media, and technology	1,538,381	12,834	997,288	-	(528,259)
School site administration	3,589,598	1,192,033	1,052,299	-	(1,345,266)
Pupil services					
Home-to-school transportation	3,741,499	70,954	15,217	-	(3,655,328)
Food services	69,595	10,302	55,075	-	(4,218)
All other pupil services	6,631,935	2,649,545	3,340,410	-	(641,980)
General administration					
Centralized data processing	3,395,373	-	2,476	-	(3,392,897)
All other general administration	9,864,783	1,761,330	1,786,076	-	(6,317,377)
Plant services	3,129,215	773,065	264,096	-	(2,092,054)
Enterprise activities	434,925	-	-	-	(434,925)
Interest on long-term debt	153,699	-	-	-	(153,699)
Other outgo	13,675,643	105,738	13,074,881	-	(495,024)
Depreciation (unallocated)	1,332,602	-	-	-	(1,332,602)
Total Governmental Activities	\$ 92,794,454	\$ 19,152,369	\$ 41,617,809	\$ 3,106	(32,021,170)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					14,067,275
Property taxes, levied for other specific purposes					650,952
Federal and state aid not restricted for specific purposes					13,333,417
Interest and investment earnings					606,133
Interagency revenues					3,490,993
Miscellaneous					1,474,174
Subtotal, General Revenue					33,622,944
CHANGE IN NET POSITION					1,601,774
Net Position - Beginning, as Restated					(15,227,707)
Net Position - Ending					\$ (13,625,933)

The accompanying notes are an integral part of these financial statements.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	County School Service Fund	Adult Education Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 27,240,048	\$ 915,327	\$ 972,034	\$ 29,127,409
Accounts receivable	7,852,561	-	318,336	8,170,897
Total Assets	\$ 35,092,609	\$ 915,327	\$ 1,290,370	\$ 37,298,306
LIABILITIES				
Accrued liabilities	\$ 3,189,546	\$ 105,258	\$ 176,082	\$ 3,470,886
Unearned revenue	5,981,444	-	886,076	6,867,520
Total Liabilities	9,170,990	105,258	1,062,158	10,338,406
FUND BALANCES				
Nonspendable	10,000	-	-	10,000
Restricted	15,392,888	810,069	228,212	16,431,169
Committed	3,005,868	-	-	3,005,868
Assigned	3,126,394	-	-	3,126,394
Unassigned	4,386,469	-	-	4,386,469
Total Fund Balances	25,921,619	810,069	228,212	26,959,900
Total Liabilities and Fund Balances	\$ 35,092,609	\$ 915,327	\$ 1,290,370	\$ 37,298,306

The accompanying notes are an integral part of these financial statements.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds \$ 26,959,900

Amounts reported for assets and liabilities 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	\$ 48,672,699	
Accumulated depreciation	<u>(19,727,584)</u>	28,945,115

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 unmatured interest owing at the end of the period was:

(48,661)

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:

Total general obligation bonds	\$ 2,159,105	
Capital leases	23,999	
Compensated absences	943,033	
Total OPEB liability	20,359,383	
Net pension liability	<u>59,410,081</u>	(82,895,601)

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 related to pensions	\$ 17,847,953	
Deferred inflows of resources related to pensions	<u>(5,627,237)</u>	12,220,716

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 1,192,598	
Deferred inflows of resources related to OPEB	<u>-</u>	1,192,598

Total Net Position - Governmental Activities \$ (13,625,933)

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	County School Service Fund	Adult Education Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 26,263,112	\$ -	\$ 535,760	\$ 26,798,872
Federal sources	2,313,774	-	1,357,384	3,671,158
Other state sources	18,054,937	14,065,636	1,623,915	33,744,488
Other local sources	30,991,444	-	257,102	31,248,546
Total Revenues	77,623,267	14,065,636	3,774,161	95,463,064
EXPENDITURES				
Current				
Instruction	32,872,477	351,860	1,563,873	34,788,210
Instruction-related services				
Instructional supervision and administration	9,101,742	395,645	1,874,181	11,371,568
Instructional library, media, and technology	1,323,820	145,107	1,905	1,470,832
School site administration	3,277,453	53,454	397,227	3,728,134
Pupil services				
Home-to-school transportation	3,788,641	-	34,627	3,823,268
Food services	61,400	-	8,195	69,595
All other pupil services	5,615,617	502,773	614,255	6,732,645
General administration				
Centralized data processing	3,523,484	-	-	3,523,484
All other general administration	9,131,926	24,235	411,734	9,567,895
Plant services	3,017,610	-	139,018	3,156,628
Facilities acquisition and maintenance	527,152	-	-	527,152
Enterprise activities	414,431	-	-	414,431
Transfers to other agencies	74,655	13,600,988	-	13,675,643
Debt service				
Principal	237,423	-	-	237,423
Interest and other	139,976	-	-	139,976
Total Expenditures	73,107,807	15,074,062	5,045,015	93,226,884
Excess (Deficiency) of Revenues				
Over Expenditures	4,515,460	(1,008,426)	(1,270,854)	2,236,180
Other Financing Sources (Uses)				
Transfers in	350,000	-	1,291,957	1,641,957
Transfers out	(1,291,957)	-	(350,000)	(1,641,957)
Net Financing Sources (Uses)	(941,957)	-	941,957	-
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	22,348,116	1,818,495	557,109	24,723,720
Fund Balance - Ending	\$ 25,921,619	\$ 810,069	\$ 228,212	\$ 26,959,900

The accompanying notes are an integral part of these financial statements.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Governmental Funds \$ 2,236,180

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:	\$	1,054,762	
Depreciation expense:		<u>(1,332,602)</u>	(277,840)

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:

237,423

Gain or loss from the disposal of capital assets:

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

(11,074)

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 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:

(13,721)

(continued on following page)

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
RECONCILIATION OF TH GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES,
continued
FOR THE YEAR ENDED JUNE 30, 2018**

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 amount earned. The difference between compensated absences paid and compensated absences earned, was: 46,517

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: 373,704

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (1,204,781)

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. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 451,948

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: (236,582)

Change in Net Position of Governmental Activities

\$ 1,601,774

CONTRA COSTA COUNTY OFFICE OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Agency Fund</u> <u>Warrant/Pass-</u> <u>through Fund</u>
ASSETS	
Cash and investments	\$ 9,299,531
Total Assets	<u>\$ 9,299,531</u>
 LIABILITIES	
Accrued liabilities	\$ 9,299,531
Total Liabilities	<u>\$ 9,299,531</u>

The accompanying notes are an integral part of these financial statements.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity**

The Contra Costa County Office of Education (the “County Office of Education”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the County Office of Education conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The County Office of Education operates under a locally elected Board form of government and provides educational services to grades K-12 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 of Education consists of all funds, departments and agencies that are not legally separate from the County Office of Education. For the County Office of Education, this includes general operations and student-related activities.

B. **Component Units**

Component units are legally separate organizations for which the County Office of Education is financially accountable. Component units may also include organizations that are fiscally dependent on the County Office of Education in that the County Office of Education 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 of Education is not financially accountable but the nature and significance of the organization’s relationship with the County Office of Education is such that exclusion would cause the County Office of Education’s financial statements to be misleading or incomplete. The County Office of Education has no such component units.

C. **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 of Education). 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.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. **Basis of Presentation** (*continued*)

The statement of activities presents a comparison between direct expenses and program revenue for each function of the County Office of Education’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 the general revenues of the County Office of Education.

Fund Financial Statements. The fund financial statements provide information about the County Office of Education’s funds, including its fiduciary funds. Separate statements for each fund category – governmental 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 child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

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

Major Governmental Funds

County School Service Fund: The County School Service Fund is the main operating fund of the County Office of Education. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the County Office of Education's activities are reported in the County School Service Fund unless there is a compelling reason to account for an activity in another fund. A County Office of Education may have only one County School Service Fund.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

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 of Education maintains the following special revenue funds:

Charter Schools Special Revenue Fund: This fund may be used by authorizing County Office's to account separately for the activities of County Office-operated charter schools that would otherwise be reported in the authorizing County Office's County School Service Fund.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the County Office of Education for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Capital Project Funds: Capital project 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).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board 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 Section 17070 et seq.*).

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 of Education'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.

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. **Basis of Accounting – Measurement Focus**

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide 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.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school County Office of Educations and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school County Office of Educations as collectible within one year.

Non-exchange transactions, in which the County Office of Education receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office of Education on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

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 of Education prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County Office of Education has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the County Office of Education's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Cash and Cash Equivalents

The County Office of Education's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The County Office of Education maintains a capitalization threshold of \$5,000. The County Office of Education does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the County Office of Education. The County Office of Education’s policy is to record sick leave as an operating expense in the period taken because 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 – June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County Office of Education is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the County School Service Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the County School Service Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The County Office of Education applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The County Office of Education governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

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 of Education. Local property tax revenues are recorded when received.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The County Office of Education has implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard’s primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The County Office of Education has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard’s primary objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The statement is effective for periods beginning after June 15, 2017. The County Office of Education has implemented GASB Statement No. 85 for the year ended June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The County Office of Education has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard’s primary objective 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. The statement is effective for periods beginning after June 15, 2018. The County Office of Education has not determined the impact on the financial statements.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Investment in county treasury	\$ 27,803,248	\$ 9,299,531
Cash in revolving fund	10,000	-
Local Agency Investment Fund (LAIF)	1,314,161	-
Total cash and investments	\$ 29,127,409	\$ 9,299,531

B. Policies and Practices

The County Office of Education is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The County Office of Education maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Contra Costa County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the County Office of Education’s investment in the pool is based upon the County Office of Education’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

State Investment Pool – The County Office of Education is considered to be a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the County Office of Education’s investment in the pool is reported in the accompanying financial statement at amounts based upon the County Office of Education’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the LAIF, which is recorded on the amortized cost basis.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest County Office of Education funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

<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 (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office of Education manages its exposure to interest rate risk by investing in the County Treasury. The County Office of Education maintains a pooled investment with the County Treasury with a fair value of approximately \$37,063,246 and an amortized book value of \$37,102,779. The average weighted maturity for this pool is 205 days. Investments consist of amounts on deposit with the State Investment Pool with an amortized book value of \$1,314,161 and had the same fair market value.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were rated AAf/S1+ by Standard & Poor’s and the pooled investments of the Local Agency Investment Fund (LAIF) has a rating of AAA/V1.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the County Office of Education's deposits may not be returned to it. The County Office of Education does not have a policy for custodial credit risk for deposits. However, 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the County Office of Education's bank balance was not exposed to custodial credit risk.

G. Fair Value

The County Office of Education categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the County Office of Education's own data. The County Office of Education should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the County Office of Education are not available to other market participants.

Uncategorized - Investments in the Contra Costa County Treasury Investment Pool and Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the County Office of Education's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The County Office of Education's fair value measurements at June 30, 2018 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 37,063,246
Local Agency Investment Fund (LAIF)	1,314,161
Total fair market value of investments	<u>\$ 38,377,407</u>

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 consisted of the following:

	County School Service Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	\$ 643,912	\$ 299,278	\$ 943,190
State Government			
Apportionment	589,545	16,022	605,567
Categorical aid	4,721,349	2,027	4,723,376
Lottery	25,408	-	25,408
Other state sources	1,525,070	-	1,525,070
Local Government			
Other local sources	347,277	1,009	348,286
Total	\$ 7,852,561	\$ 318,336	\$ 8,170,897

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,558,353	\$ -	\$ -	\$ 5,558,353
Construction in progress	276,047	-	276,047	-
Total Capital Assets not Being Depreciated	5,834,400	-	276,047	5,558,353
Capital assets being depreciated				
Land improvements	1,123,514	-	-	1,123,514
Buildings & improvements	37,942,480	586,394	181,768	38,347,106
Furniture & equipment	3,292,733	507,833	156,840	3,643,726
Total Capital Assets Being Depreciated	42,358,727	1,094,227	338,608	43,114,346
Less Accumulated Depreciation				
Land improvements	1,054,531	13,494	-	1,068,025
Buildings & improvements	15,129,266	1,091,385	170,694	16,049,957
Furniture & equipment	2,538,719	227,723	156,840	2,609,602
Total Accumulated Depreciation	18,722,516	1,332,602	327,534	19,727,584
Governmental Activities				
Capital Assets, net	\$ 29,470,611	\$ (238,375)	\$ 287,121	\$ 28,945,115

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	Non-Major		
	County School Service Fund	Governmental Funds	Total
County School Facilities Fund	\$ -	\$ 1,291,957	\$ 1,291,957
Non-Major Governmental Funds	350,000	-	350,000
Total Interfund Transfers	\$ 350,000	\$ 1,291,957	\$ 1,641,957

County School Service Fund transfer to the Non-Major Charter Schools Fund for indirect costs, OPEB costs, revenue generated by community charter school ADA and e-rate.	\$ 1,291,957
Non-Major Charter School Fund transfer to the County School Service Fund to return Golden Gate Charter School Funds.	350,000
Total	\$ 1,641,957

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	Non-Major			Total		Total Fiduciary
	County School Service Fund	Adult Education Fund	Governmental Funds	County-Wide	Governmental Activities	
Vendors payable	\$ 3,189,546	\$ 105,258	\$ 176,082	\$ -	\$ 3,470,886	\$ -
Unmatured interest	-	-	-	48,661	48,661	-
Other liabilities	-	-	-	-	-	9,299,531
Total	\$ 3,189,546	\$ 105,258	\$ 176,082	\$ 48,661	\$ 3,519,547	\$ 9,299,531

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	Non-Major		Total
	County School Service Fund	Governmental Funds	Governmental Activities
Federal sources	\$ 70,167	\$ 151,566	\$ 221,733
State categorical sources	5,911,277	734,510	6,645,787
Total	\$ 5,981,444	\$ 886,076	\$ 6,867,520

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated			Balance	Balance Due
	Balance			June 30, 2018	In One Year
	July 01, 2017	Additions	Deductions		
Governmental Activities					
Taxable Build America Bonds	\$ 2,384,980	\$ -	\$ 225,875	\$ 2,159,105	\$ 234,785
Capital leases	35,547	-	11,548	23,999	12,000
Early retirement incentive	451,948	-	451,948	-	-
Compensated absences	989,550	-	46,517	943,033	-
Total OPEB liability	19,540,489	818,894	-	20,359,383	-
Net pension liability	52,109,212	7,300,869	-	59,410,081	-
Total	\$ 75,511,726	\$ 8,119,763	\$ 735,888	\$ 82,895,601	\$ 246,785

- Payments for bonds associated with Build America Bonds are made in the County School Facilities Fund.
- Payments for capital lease are made in the County School Facilities Fund.
- Payments for PARS retirement program are made in the County School Service Fund.
- Payments for compensated absences are typically liquidated in the County School Service Fund and the Child Development Fund.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$943,033. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Build America Bonded Debt

On October 15, 2010 the County Office of Education entered into a Taxable Build America Equipment Lease/Purchase agreement with the Bank of America to finance and install Solar Panels. The annual requirements to amortize general obligation bonds payable outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Subsidy	Total
2019	\$ 234,785	\$ 126,269	\$ (44,194)	\$ 316,860
2020	244,047	112,020	(39,207)	316,860
2021	253,674	97,210	(34,023)	316,861
2022	263,680	81,815	(28,635)	316,860
2023	274,082	65,813	(2,303)	337,592
2024 - 2026	888,837	94,990	(950,580)	33,247
Total	\$ 2,159,105	\$ 578,117	\$ (1,098,942)	\$ 1,638,280

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 8 – LONG-TERM DEBT (continued)

C. Capital Lease

On July 1, 2014 the County Office of Education entered into a five-year lease agreement with Mail Finance for a postage machine. The annual payment requirements as of June 30, 2018, are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2019	\$ 12,612
2020	12,612
Total minimum lease payments	<u>25,224</u>
Less amount representing interest	<u>(1,225)</u>
Present value of minimum lease payments	<u>\$ 23,999</u>

D. Other Postemployment Benefits

The County Office of Education's restated beginning total OPEB liability was \$19,540,489 and increased by \$818,894 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was \$20,359,383. See Note 10 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The County Office of Education's beginning net pension liability was \$52,109,212 and increased by \$7,300,869 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$59,410,081. See Note 11 for additional information regarding the net pension liability.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	County School Service Fund	Adult Education Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 10,000
Total non-spendable	10,000	-	-	10,000
Restricted				
Educational programs	15,392,888	810,069	17,998	16,220,955
Capital projects	-	-	210,214	210,214
Total restricted	15,392,888	810,069	228,212	16,431,169
Committed				
Other commitments	3,005,868	-	-	3,005,868
Total committed	3,005,868	-	-	3,005,868
Assigned				
Assigned for Post-Employment Benefits	3,126,394	-	-	3,126,394
Total assigned	3,126,394	-	-	3,126,394
Unassigned				
Reserve for economic uncertainties	4,386,469	-	-	4,386,469
Total unassigned	4,386,469	-	-	4,386,469
Total	\$ 25,921,619	\$ 810,069	\$ 228,212	\$ 26,959,900

The County Office of Education is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The County Office of Education’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to 2 percent of County School Service Fund expenditures and other financing uses.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Contra Costa County Office of Education’s defined benefit OPEB plan, Contra Costa County Office of Education Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the County Office of Education which offers medical, dental and vision benefits to both active and retired employees.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision
Duration of Benefits	Lifetime	Lifetime	Lifetime
Required Service	10 years at age 55; or 5 years at age 60**	10 years at age 55; or 5 years at age 60**	5 years
Minimum Age	55	55	55
Dependent Coverage	No	No	No
COE Contribution %	100%	100%	100%
COE Cap	Pre-65: Highest Single HMO premium medical Post-65: PERS minimum	Pre-65: Highest Single HMO premium medical Post-65: PERS minimum	Pre-65: Highest Single HMO premium medical Post-65: PERS minimum
	*5 years at age 55 if hired before 7/1/11		
	*5 years at age 55 if hired before 7/1/08		

C. Contributions

The contribution requirements of Plan members and the Contra Costa County Office of Education are established and may be amended by the Contra Costa County Office of Education. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	254
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	447
Total number of participants**	701

*Information not provided

**As of the July 1, 2017 valuation date

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (*continued*)

E. Total OPEB Liability

The Contra Costa County Office of Education’s total OPEB liability of \$20,359,383 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 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%
Salary increases	2.75%
Investment rate of return	3.50%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:

Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees Table

Retirement rates:

Certificated	2009 CalSTRS Retirement Rates Table
Classified	Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2%@60 adjusted to minimum retirement age of 52

Vesting rates:

Certificated	100% at 10 years at age 55; or 5 years at age 60
Classified	100% at 10 years at age 55; or 5 years at age 60
Management	100% at 5 years

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience during the period July 1, 2016 to July 1, 2017.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 1,072,300
Interest on total OPEB liability	685,731
Benefits payments	<u>(939,137)</u>
Net change in total OPEB liability	818,894
Total OPEB liability - beginning	<u>19,540,489</u>
Total OPEB liability - ending	<u>\$ 20,359,383</u>
Covered payroll	\$ 34,310,946
County Office of Education's total OPEB liability as a percentage of covered payroll	59.34%

The Contra Costa County Office of Education has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a “roll-back” technique has been used.

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

The following presents the total OPEB liability of the Contra Costa County Office of Education, as well as what the County Office of Education’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current discount rate:

	1% Decrease	Valuation Discount Rate	1% Increase
	(2.5%)	(3.5%)	(4.5%)
Total OPEB liability	\$ 23,190,404	\$ 20,359,383	\$ 18,063,085

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

The following presents the total OPEB liability of the Contra Costa County Office of Education, as well as what the County Office of Education’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	<u>1% Decrease (3.0%)</u>	<u>Valuation Trend Rate (4.0%)</u>	<u>1% Increase (5.0%)</u>
Total OPEB liability	\$ 16,112,927	\$ 20,359,383	\$ 25,774,591

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Contra Costa County Office of Education recognized OPEB expense of \$373,704. At June 30, 2018, the Contra Costa County Office of Education reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
County Office of Education contributions subsequent to the measurement date	\$ 1,192,598
	<u>\$ 1,192,598</u>

The \$1,192,598 reported as deferred outflows of resources related to OPEB resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement 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). The County Office of Education reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 30,685,401	\$ 8,924,806	\$ 4,312,258	\$ 2,488,739
PERS Pension	28,724,680	8,923,147	1,314,979	4,409,765
Total	\$ 59,410,081	\$ 17,847,953	\$ 5,627,237	\$ 6,898,504

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The County Office of Education contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (*continued*)

A. California State Teachers’ Retirement System (CalSTRS) (*continued*)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the County Office of Education were \$3,162,500 for the year ended June 30, 2018.

On-Behalf Payments

The County Office of Education was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,588,588 to CalSTRS.

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

At June 30, 2018, the County Office of Education reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office of Education. The amount recognized by the County Office of Education as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County Office of Education were as follows:

County Office of Education's proportionate share of the net pension liability	\$ 30,685,401
State's proportionate share of the net pension liability associated with the County Office of Education	18,153,372
Total	<u>\$ 48,838,773</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’s long-term share of contributions to the pension plan relative to the projected contributions of all participating local education agencies, actuarially determined. At June 30, 2017, the County Office of Education’s proportion was 0.033 percent, which was a decrease of 0.00119 percent from its proportion measured as of June 30, 2016.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2018, the County Office of Education recognized pension expense of \$2,488,739. In addition, the County Office of Education recognized pension expense and revenue of \$521,752 for support provided by the State. At June 30, 2018, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 817,238
Differences between expected and actual experience	113,478	535,203
Changes in assumptions	5,684,828	
Changes in proportion and differences between County Office of Education contributions and proportionate share of contributions	-	2,959,817
County Office of Education contributions subsequent to the measurement date	3,126,500	-
	<u>\$ 8,924,806</u>	<u>\$ 4,312,258</u>

The \$3,126,500 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 966,384	\$ 1,398,919
2020	966,384	204,691
2021	966,384	645,512
2022	966,384	1,446,199
2023	966,384	489,023
2024	966,386	127,914
	<u>\$ 5,798,306</u>	<u>\$ 4,312,258</u>

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*20-year geometric average

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (*continued*)

A. California State Teachers’ Retirement System (CalSTRS) (*continued*)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County Office of Education’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the County Office of Education’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
County Office of Education's proportionate share of the net pension liability	\$ 45,055,911	\$ 30,685,401	\$ 19,022,759

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS)

Plan Description

The County Office of Education contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

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

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the County Office of Education were \$2,567,223 for the year ended June 30, 2018.

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

At June 30, 2018, the County Office of Education reported a liability of \$28,724,680 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to June 30, 2017. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’s long-term share of contributions to the pension plan relative to the projected contributions of all participating local education agencies, actuarially determined. At June 30, 2017, the County Office of Education’s proportion was 0.120 percent, which was a decrease of 0.00275 percent from its proportion measured as of June 30, 2016.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2018, the County Office of Education recognized pension expense of \$4,409,765. At June 30, 2018, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 993,677	\$ -
Differences between expected and actual experience	1,029,087	-
Changes in assumptions	4,195,691	338,198
Changes in proportion and differences between County Office of Education contributions and proportionate share of contributions	137,469	976,781
County Office of Education contributions subsequent to the measurement date	2,567,223	-
	<u>\$ 8,923,147</u>	<u>\$ 1,314,979</u>

The \$2,567,223 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 2,038,381	\$ 769,366
2020	2,816,140	75,907
2021	1,976,805	469,706
2022	(475,402)	-
	<u>\$ 6,355,924</u>	<u>\$ 1,314,979</u>

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated 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 adjusted to account for assumed administrative expenses.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
 **An expected inflation of 3.00% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the County Office of Education’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the County Office of Education’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
County Office of Education's proportionate share of the net pension liability	\$ 42,263,210	\$ 28,724,680	\$ 17,493,337

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The County Office of Education received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2018.

B. Litigation

The County Office of Education 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 of Education at June 30, 2018. The County Office of Education 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 of Education at June 30, 2018.

C. Construction Commitments

As of June 30, 2018, the County Office of Education had no commitments with respect to unfinished capital projects.

CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2018

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The County Office of Education participates in four joint powers agreement (JPA) entities, the Contra Costa County Schools Insurance Group (CCCSIG), Schools Self-Insurance of Contra Costa County (SSICCC), Alameda Contra Costa Schools Financial Authority JPA, Northern California Regional Liability Excess Fund (ReLiEF), Schools Association for Excess Risk JPA (SAFER), and Northern California Medi-Cal Administrative Services JPA. The County Office of Education pays an annual premium to each entity for its health, workers’ compensation, and property liability coverage.

Each JPA is governed by a board consisting of a representative from each member school agency. Each governing board controls the operations of its JPA independent of any influence by the County Office of Education beyond the school agency’s representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member County Office of Educations of Education share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the County Office of Education and the JPAs are such that none of the JPAs are a component unit of the County Office of Education for financial reporting purposes. Financial information for Alameda – Contra Costa Schools Financial Authority is available from the entity. Condensed current financial information for the JPAs that was available is shown below:

	CCCSIG	SSICCC	NorReliEF	SAFER
	Audited	Audited	Audited	Audited
	June 30,2017	June 30,2017	June 30,2017	June 30,2017
Assets	\$ 111,155,324	\$ 9,937,959	\$ 75,820,380	\$ 25,967,058
Liabilities	\$ 86,908,313	\$ 954,593	\$ 59,774,301	\$ 25,277,081
Net Position	\$ 24,247,011	\$ 8,983,366	\$ 16,046,079	\$ 689,977
Revenues	\$ 45,571,097	\$ 16,832,870	\$ 53,217,025	\$ 55,169,347
Expenses	45,114,739	16,157,272	52,877,526	56,889,019
Operating Income	\$ 456,358	\$ 675,598	\$ 339,499	\$ (1,719,672)
Non-operating Income/(Expense)	\$ 498,624	\$ 58,038	\$ (59,117)	\$ 267,883
Change in net position	\$ 954,982	\$ 733,636	\$ 280,382	\$ (1,451,789)

CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2018

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the County Office of Education recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the County Office of Education wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was \$17,847,953 and total deferred inflows related to pensions was \$5,627,237.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the County Office of Education recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the County Office of Education -wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to other postemployment benefits was \$1,192,598.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the County Office of Education’s total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	<u>Governmental Activities</u>
Net Position - Beginning, as Previously Reported	\$ (2,088,886)
Restatement	<u>(13,138,821)</u>
Net Position - Beginning, as Restated	<u>\$ (15,227,707)</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
COUNTY SCHOOL SERVICE FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$24,496,344	\$26,173,240	\$ 26,263,112	\$ 89,872
Federal sources	2,944,824	2,358,882	2,313,774	(45,108)
Other state sources	18,330,557	18,936,543	18,054,937	(881,606)
Other local sources	27,853,309	29,288,039	30,958,763	1,670,724
Total Revenues	73,625,034	76,756,704	77,590,586	833,882
EXPENDITURES				
Certificated salaries	19,904,904	19,018,411	18,266,305	752,106
Classified salaries	17,262,312	16,824,585	16,546,650	277,935
Employee benefits	19,530,087	18,723,169	18,576,093	147,076
Books and supplies	2,101,604	2,189,114	1,354,617	834,497
Services and other operating expenditures	16,766,447	18,583,511	17,376,300	1,207,211
Capital outlay	698,000	944,666	971,757	(27,091)
Other outgo				
Excluding transfers of indirect costs	452,038	452,038	452,054	(16)
Transfers of indirect costs	(196,786)	(514,962)	(435,969)	(78,993)
Total Expenditures	76,518,606	76,220,532	73,107,807	3,112,725
Excess (Deficiency) of Revenues				
Over Expenditures	(2,893,572)	536,172	4,482,779	3,946,607
Other Financing Sources (Uses)				
Transfers in	-	-	350,000	350,000
Transfers out	(350,000)	(2,018,692)	(2,089,664)	(70,972)
Net Financing Sources (Uses)	(350,000)	(2,018,692)	(1,739,664)	279,028
NET CHANGE IN FUND BALANCE	(3,243,572)	(1,482,520)	2,743,115	4,225,635
Fund Balance - Beginning	15,154,930	20,052,110	20,052,110	-
Fund Balance - Ending	\$ 11,911,358	\$ 18,569,590	\$ 22,795,225	\$ 4,225,635

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reason:

- Actual amounts reported in this schedule are for the County School Service Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Post-Employment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
ADULT EDUCATION FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Other state sources	\$ 15,081,018	\$ 14,065,636	\$ 14,065,636	\$ -
Total Revenues	15,081,018	14,065,636	14,065,636	-
EXPENDITURES				
Certificated salaries	155,477	157,505	129,163	28,342
Classified salaries	467,523	413,427	407,429	5,998
Employee benefits	361,864	321,394	304,718	16,676
Books and supplies	150,920	163,892	78,952	84,940
Services and other operating expenditures	549,760	643,585	502,613	140,972
Capital outlay	50,000	76,094	25,964	50,130
Other outgo				
Excluding transfers of indirect costs	13,536,716	13,760,503	13,600,988	159,515
Transfers of indirect costs	18,687	15,892	24,235	(8,343)
Total Expenditures	15,290,947	15,552,292	15,074,062	478,230
NET CHANGE IN FUND BALANCE	(209,929)	(1,486,656)	(1,008,426)	(478,230)
Fund Balance - Beginning	451,470	1,818,495	1,818,495	-
Fund Balance - Ending	\$ 241,541	\$ 331,839	\$ 810,069	\$ (478,230)

See accompanying note to required supplementary information.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
 SCHEDULE OF CHANGES IN THE COUNTY OFFICE OF EDUCATION'S TOTAL OPEB
 LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>
Total OPEB Liability	
Service Cost	\$ 1,072,300
Interest on total OPEB liability	685,731
Benefits payments	<u>(939,137)</u>
Net change in total OPEB liability	818,894
Total OPEB liability - beginning	<u>19,540,489</u>
Total OPEB liability - ending	<u>\$ 20,359,383</u>
Covered payroll	\$ 34,310,946
County Office of Education's total OPEB liability as a percentage of covered payroll	 59.34%

See accompanying note to required supplementary information.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office of Education's proportion of the net pension liability	0.033%	0.034%	0.037%	0.039%
County Office of Education's proportionate share of the net pension liability	\$ 30,685,401	\$ 27,801,600	\$ 25,115,191	\$ 22,709,651
State's proportionate share of the net pension liability associated with the County Office of Education	18,153,372	15,829,285	13,283,132	13,713,068
Total	<u>\$ 48,838,773</u>	<u>\$ 43,630,885</u>	<u>\$ 38,398,323</u>	<u>\$ 36,422,719</u>
County Office of Education's covered payroll	\$ 16,123,268	\$ 17,342,557	\$ 17,288,711	\$ 17,288,711
County Office of Education's proportionate share of the net pension liability as a percentage of its covered payroll	190.3%	172.4%	144.8%	131.4%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

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

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office of Education's proportion of the net pension liability	0.120%	0.123%	0.129%	0.139%
County Office of Education's proportionate share of the net pension liability	\$ 28,724,680	\$ 24,307,612	\$ 19,052,770	\$ 15,777,405
County Office of Education's covered payroll	\$ 16,921,415	\$ 15,710,980	\$ 14,815,296	\$ 14,815,296
County Office of Education's proportionate share of the net pension liability as a percentage of its covered payroll	169.8%	143.6%	121.3%	106.5%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

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

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,126,500	\$ 2,223,232	\$ 1,868,188	\$ 1,492,732
Contributions in relation to the contractually required contribution*	(3,126,500)	(2,223,232)	(1,868,188)	(1,492,732)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County Office of Education's covered payroll	\$ 18,477,381	\$ 16,123,268	\$ 17,342,557	\$ 17,288,711
Contributions as a percentage of covered payroll	16.92%	13.79%	10.77%	8.63%

*Amounts do not include on-behalf contributions

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,567,223	\$ 2,192,326	\$ 1,820,287	\$ 1,671,703
Contributions in relation to the contractually required contribution	(2,567,223)	(2,192,326)	(1,820,287)	(1,671,703)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County Office of Education's covered payroll	\$ 16,778,845	\$ 16,921,415	\$ 15,710,980	\$ 14,815,296
Contributions as a percentage of covered payroll	15.30%	12.96%	11.59%	11.28%

See accompanying note to required supplementary information.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the County School Service Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the County Office of Education's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education's proportion (percentage) of the collective net pension liability, the County Office of Education's proportionate share (amount) of the collective net pension liability, the County Office of Education's covered payroll, the County Office of Education's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of County Office of Education Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education’s statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the County Office of Education’s covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the County Office of Education’s covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the County Office of Education incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
County School Service Fund			
Capital outlay	\$ 944,666	\$ 971,757	\$ 27,091
Other outgo			
Excluding transfers of indirect costs	\$ 452,038	\$ 452,054	\$ 16
Adult Education Fund			
Transfers of indirect costs	\$ 15,892	\$ 24,235	\$ 8,343

**SUPPLEMENTARY
INFORMATION**

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low -Income and Neglected	84.010	14329	\$ 676,167
Title I, Part D, Local Delinquent Programs	84.010	14357	453,765
Subtotal Title I, Part A			<u>1,129,932</u>
Title I, Migrant Ed Statewide PASS Project	84.011	14853	3,171
Adult Education			
Adult Education: Adult Secondary Education	84.002A	13978	223,220
Adult Education: English Literacy and Civics Education	84.002A	14109	139,822
Subtotal Adult Education			<u>363,042</u>
Title III, Technical Assistance	84.365	14967	195,900
Department of Rehab: Workability II, Transition Partnership	84.158	10006	177,731
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	20,024
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	1,440
Subtotal Special Education Cluster			<u>21,464</u>
IDEA Early Intervention Grants	84.181	23761	179,044
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	5,601
Title X, McKinney -Vento Homeless Assistance	84.196	14332	157,614
Total U. S. Department of Education			<u>2,233,499</u>
U. S. DEPARTMENT OF LABOR:			
<i>Passed through California Department of Education:</i>			
Workforce Investment Grant	17.259	10055	558,832
Total U. S. Department of Labor			<u>558,832</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
National School Lunch Program	10.555	13391	50,777
Total U. S. Department of Agriculture			<u>50,777</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Child Care and Development Block Grant			
Local Planning Councils	93.575	13946	58,133
Quality Improvement Activities	93.575	13979	617,612
Subtotal Child Care and Development Block Grant			<u>675,745</u>
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	69,649
Total U. S. Department of Health & Human Services			<u>745,394</u>
Total Federal Expenditures			<u>\$ 3,588,502</u>

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018**

	Second Period Report	Annual Report
COUNTY OPERATED PROGRAMS		
TK/K through Third		
Special Education - Special Day Class	33.91	34.99
Extended Year Special Education - Nonpublic Schools	3.64	3.64
Total TK/K through Third	37.55	38.63
Fourth through Sixth		
Special Education - Special Day Class	47.58	48.69
Extended Year Special Education - Nonpublic Schools	4.69	4.69
Total Fourth through Sixth	52.27	53.38
Seventh through Eighth		
Special Education - Special Day Class	42.06	42.71
Extended Year Special Education - Nonpublic Schools	3.92	3.92
Total Seventh through Eighth	45.98	46.63
Ninth through Twelfth		
Special Education - Special Day Class	139.88	137.38
Extended Year Special Education - Nonpublic Schools	12.58	12.58
Total Ninth through Twelfth	152.46	149.96
TOTAL COUNTY OPERATED PROGRAMS	288.26	288.60
COUNTY OFFICE OF EDUCATION		
Elementary		
Juvenile Halls, Homes, Camp	9.68	10.90
Total Elementary	9.68	10.90
High School		
Juvenile Halls, Homes, Camp	165.77	176.59
Total High School	165.77	176.59
TOTAL COUNTY OFFICE OF EDUCATION	175.45	187.49
ADULTS		
Adults in Correctional Facilities	251.13	305.93
TOTAL ADULTS	251.13	305.93

See accompanying note to supplementary information.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

	Second Period Report	Annual Report
CHARTER SCHOOL		
Seventh through Eighth		
County Community School	4.84	5.95
Total Seventh through Eighth	4.84	5.95
Ninth through Twelfth		
County Community School	47.37	53.25
Total Ninth through Twelfth	47.37	53.25
Probation Referred, on Probation or Parole, Expelled - Elementary	4.71	6.67
Probation Referred, on Probation or Parole, Expelled - High School	15.51	17.48
TOTAL CHARTER SCHOOL	72.43	83.35
CLASSROOM-BASED CHARTER SCHOOL		
Classroom-based Seventh through Eighth		
County Community School	4.84	5.95
Total Classroom-based Seventh through Eighth	4.84	5.95
Classroom-based Ninth through Twelfth		
County Community School	29.21	31.96
Total Classroom-based Ninth through Twelfth	29.21	31.96
Probation Referred, on Probation or Parole, Expelled - Elementary	4.37	6.21
Probation Referred, on Probation or Parole, Expelled - High School	10.95	12.70
TOTAL CLASSROOM-BASED CHARTER SCHOOL	49.37	56.82

See accompanying note to supplementary information.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Grade 7	54,000	48,285	180	Not in Compliance
Grade 8	54,000	48,285	180	Not in Compliance
Grade 9	64,800	48,285	180	Not in Compliance
Grade 10	64,800	48,285	180	Not in Compliance
Grade 11	64,800	48,285	180	Not in Compliance
Grade 12	64,800	48,285	180	Not in Compliance

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	2019 (Budget)	2018	2017	2016
County School Service Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 79,109,414	\$ 77,940,586	\$ 76,579,252	\$ 73,955,883
Expenditures And Other Financing Uses	80,819,084	75,197,471	72,608,456	71,856,568
Net change in Fund Balance	\$ (1,709,670)	\$ 2,743,115	\$ 3,970,796	\$ 2,099,315
Ending Fund Balance	\$ 21,085,555	\$ 22,795,225	\$ 20,052,110	\$ 16,081,314
Available Reserves*	\$ 5,378,398	\$ 4,386,469	\$ 4,710,633	\$ 4,273,716
Available Reserves As A Percentage Of Outgo	6.65%	5.83%	6.49%	5.95%
Long-term Debt	\$ 82,648,816	\$ 82,895,601	\$ 62,372,905	\$ 54,342,563
Average Daily Attendance At P-2	455	427	463	669

The County School Service Fund balance has increased by \$6,713,911 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$1,709,670. For a County Office of Education this size, the State recommends available reserves of at least 2% of County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County Office of Education has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by \$28,553,038 over the past two years.

Average daily attendance has decreased by 242 ADA over the past two years. An increase of 28 ADA is anticipated during the 2018-19 fiscal year.

*Available reserves consist of all unassigned fund balance within the County School Service Fund.

**The actual amounts reported in this schedule are for the County School Service Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve for Post-Employment Benefits Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	County School Service Fund	Special Reserve Fund for Post-Employment Benefits
June 30, 2018, annual financial and budget report fund balance	\$ 22,795,225	\$ 3,126,394
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	3,126,394	(3,126,394)
Net adjustments and reclassifications	3,126,394	(3,126,394)
June 30, 2018, audited financial statement fund balance	<u>\$ 25,921,619</u>	<u>\$ -</u>

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
 SCHEDULE OF CHARTER SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2018**

Charter Number	Charter School	Status	Included in Audit Report
1933	Making Waves Academy	Active	No
1400	Clayton Valley Charter High	Active	No
1622	Caliber Beta Academy	Active	No
1650	Summit Public School K2	Active	No
1773	Contra Costa School of Performing Arts	Active	No
1887	Golden Gate Community Charter School	Active	Yes
1933	Invictus Academy of Richmond	Active (Start Date 8/1/2018)	No

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2018**

The Contra Costa County Office of Education was organized in 1865 under the laws of the State of California. The County Office of Education is the administrative agency for nine elementary school County Office of Educations, seven unified school County Office of Educations, two high school County Office of Educations, one community college County Office of Education and one charter school.

GOVERNING BOARD

Member	Office	Term Expires
Fatima S. Alleyne, Ph.D	President	November 27, 2020
Jeff Belle	Vice President	November 29, 2018
Mike Maxwell.	Member	November 29, 2018
Christine W. Deane	Member	November 29, 2018
Vikki J. Chavez	Member	November 27, 2020

COUNTY OFFICE OF EDUCATION ADMINISTRATORS

Karen Sakata
Superintendent

Lynn Mackey
Deputy Superintendent, Educational Services

Bill Clark
Associate Superintendent, Business and Administrative Services

Katie Gaines,
Assistant Superintendent, Human Resources

Terry Koehne
Chief Communications Officer

Renai Lovely
Executive Assistant to Superintendent

Loreen Joseph
Executive Assistant to Board and Superintendent

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
 NOTES TO SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County Office of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The County Office of Education has not elected to use the 10 percent de minimis indirect cost rate.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

	CFDA	
	Number	Amount
	<u> </u>	<u> </u>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 3,671,158
Medi-Cal Billing Option	93.778	<u>(82,656)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 3,588,502</u>

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the County Office of Education. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to County Office of Educations of Education. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the County Office of Education and whether the County Office of Education complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2018, the County Office of Education participated in the Longer Day incentive funding program. As of June 30, 2018, the County Office of Education had not yet met its target funding.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Financial Trends and Analysis

This schedule discloses the County Office of Education'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 of Education's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the County Office of Education and displays information for each Charter School on whether or not the Charter School is included in the County Office of Education audit.

Local Education Agency Organization Structure

This schedule provides information about the County Office of Education's boundaries and schools operated, members of the governing board, and members of the administration.

Subrecipients

Of the Federal Expenditures presented in this schedule, the County Office of Education did not provide Federal Awards to subrecipients during June 30, 2018.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board
Contra Costa County Office of Education
Pleasant Hill, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Contra Costa County Office of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Contra Costa County Office of Education's basic financial statements, and have issued our report thereon dated December 10, 2018

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Contra Costa County Office of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Contra Costa County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Contra Costa County Office of Education's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Contra Costa 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 10, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

Independent Auditors' Report

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

Governing Board
Contra Costa County Office of Education
Pleasant Hill, California

Report on Compliance for Each Major Federal Program

We have audited Contra Costa 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 Contra Costa County Office of Education's major federal programs for the year ended June 30, 2018. Contra Costa 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 Contra Costa 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 Contra Costa 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 Contra Costa County Office of Education's compliance.

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Opinion on Each Major Federal Program

In our opinion, Contra Costa 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, 2018.

Report on Internal Control Over Compliance

Management of Contra Costa 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 Contra Costa 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 Contra Costa County Office of Education's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
December 10, 2018

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Contra Costa County Office of Education
Pleasant Hill, California

Report on State Compliance

We have audited Contra Costa County Office of Education's compliance with the types of compliance requirements described in the *2017-2018 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 Contra Costa County Office of Education's state programs for the fiscal year ended June 30, 2018, as identified below.

Management's Responsibility

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 of Contra Costa County Office of Education's state 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 *2017-2018 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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Contra Costa County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Contra Costa County Office of Education's compliance with those requirements.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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Opinion on State Compliance

In our opinion, Contra Costa County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as item #2018-001. Our opinion on state compliance is not modified with respect to these matters.

Contra Costa County Office of Education's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Contra Costa County Office of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Yes
Mode of Instruction; for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study; for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Yes
Annual Instructional Minutes – Classroom Based; for charter schools	Yes
Charter School Facility Grant Program	Not Applicable

Christy White Associates

San Diego, California
December 10, 2018

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**CONTRA COSTA COUNTY OFFICE OF EDUCATION OF EDUCATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.010	Title I, Part A	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

CONTRA COSTA COUNTY OFFICE OF EDUCATION OF EDUCATION
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

FIVE DIGIT CODE

20000
30000
60000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control
Miscellaneous

There are no financial statement findings for the year ended June 30, 2018.

CONTRA COSTA COUNTY OFFICE OF EDUCATION OF EDUCATION
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There are no federal award findings or questioned costs for the year ended June 30, 2018.

**CONTRA COSTA COUNTY OFFICE OF EDUCATION OF EDUCATION
 STATE AWARD FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018**

FIVE DIGIT CODE

10000
 40000
 42000
 60000
 61000
 62000
 70000
 71000
 72000

AB 3627 FINDING TYPE

Attendance
 State Compliance
 Charter School Facilities Programs
 Miscellaneous
 Classroom Teacher Salaries
 Local Control Accountability Plan
 Instructional Materials
 Teacher Misassignments
 School Accountability Report Card

FINDING #2018-001: INSTRUCTIONAL MINUTES (40000)

Criteria: The lowest reported instructional minutes per grade level from each charter school site should meet the minimum required minutes for the fiscal year according to California Education Code Section 47612.5(a)(1).

Condition: After reviewing total calculated instructional minutes, auditor noted that Classroom Based Charter School did not offer optional classes to satisfy the instructional minutes requirements.

Effect: The Charter is not compliance with applicable sections of California Education Code.

Cause: This Charter did not update the instructional minutes to meet the Education Code requirements.

Question Costs:

Grade Levels Not in Compliance:

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2017-18</u>		<u>Minutes Short</u>
		<u>Actual Minutes</u>	<u>Number of Days</u>	
Grade 7	54,000	48,285	180	5,715
Grade 8	54,000	48,285	180	5,715
Grade 9	64,800	48,285	180	16,515
Grade 10	64,800	48,285	180	16,515
Grade 11	64,800	48,285	180	16,515
Grade 12	64,800	48,285	180	16,515

**CONTRA COSTA COUNTY OFFICE OF EDUCATION OF EDUCATION
 STATE AWARD FINDINGS AND QUESTIONED COSTS,continued
 FOR THE YEAR ENDED JUNE 30, 2018**

FINDING #2018-001: INSTRUCTIONAL MINUTES (40000) (continued)

Questioned Costs (continued):

Proportional Reduction in Apportionment:

		Instructional Time Grade Spans	
		7-8	9-12
1	Affected grade level(s)		
2	Affected grade level ADA	4.84	29.21
3	Derived Value of ADA by Grade Span	\$9,576.65	\$10,331.63
4	Number of required minutes	54,000	64,800
5	Number of minutes short	5,715	16,515
6	Percentage of Minutes Not Offered	10.58%	25.49%
7	Affected LCFF Apportionment by Grade Span	\$46,351	\$301,787
8	Instructional Time Penalty by Grade Span	\$4,904	\$76,926
9	Total Instructional Time Penalty		\$81,830

Recommendation: We recommend that the Charter implement corrective action to verify that each grade level will be in compliance with Education Code requirements related to annual instruction minutes at the beginning of each school year.

Corrective Action Plan: The Charter agrees with the findings of the auditor and has taken steps to correct the number of instructional minutes to conform to the requirements of state law we will update instructional time for the 2019-20 school year to meet the minutes outlined in California Education Code Section 47612.5(a)(1).

CONTRA COSTA COUNTY OFFICE OF EDUCATION OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

There are no findings or questioned costs for the year ended June 30, 2017.