san diego county office of
EDUCATION
FUTURE WITHOUT BOUNDARIES℠

San Diego County Office of Education Main Campus
6401 Linda Vista Road, San Diego, CA 92111
858-292-3500 | www.sdcoe.net

December 17, 2018

Wilkinson Hadley King & Co. LLP
218 W Douglas Ave
El Cajon, CA 92020

This representation letter is provided in connection with your audit(s) of the financial statements of San Diego County Office of Education, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

In regard to the assistance you provided in preparation of the financial statements including note disclosures and the schedule of expenditures of federal awards, services performed by you, we have—

1) Assumed all management responsibilities.
2) Designated Pam Gilles, Executive Director of Internal Business, who has suitable skill, knowledge, or experience to oversee the services.
3) Evaluated the adequacy and results of the services performed.
4) Accepted responsibility for the results of the services.

We confirm, to the best of our knowledge and belief, as of December 17, 2018, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government component units required by generally accepted accounting principles to be included in the financial reporting entity.

San Diego County Superintendent of Schools Dr. Paul Gothold

San Diego County Board of Education
Paulette Donnellon Guadalupe González Alicia Muñoz Mark Powell Rick Shea

3) We acknowledge our responsibility for 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.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the county office is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the county office from whom you determined it necessary to obtain audit evidence.

   d) Minutes of the meetings of the Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded in the accounting records and are reflected in the financial statements [and the schedule of expenditures of federal awards].

13) We have disclosed to you, if any, the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the county office and involves:

   - Management,
   - Employees who have significant roles in internal control, or
   - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the county office's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) We have disclosed to you the identity of the county office's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

21) We have a process to track the status of audit findings and recommendations.

22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24) The county office has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

30) As part of your audit, you assisted with preparation of the financial statements and related notes [and schedule of expenditures of federal awards]. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes [and schedule of expenditures of federal awards].

31) The county office has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

32) The county office has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

33) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

34) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .

35) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

36) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

37) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

38) Provisions for uncollectible receivables have been properly identified and recorded.

39) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

40) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

41) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

42) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

43) Capital assets, including intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

44) We have appropriately disclosed the county office's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

45) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

46) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

47) With respect to the supplementary information

    a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

48) With respect to federal award programs:

    a) We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.

    b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

    c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.

    d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

h) We have received no requests from a federal agency to audit one or more specific programs as a major program.

i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the OMB Compliance Supplement, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.

j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) [and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, if applicable].

m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.

r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

t) We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.

u) We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.

v) We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.

w) We have charged costs to federal awards in accordance with applicable cost principles.

x) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

y) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

z) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

aa) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signature: Pamela Giles

Title: EXECUTIVE DIRECTOR, INTERNAL BUSINESS

SAN DIEGO COUNTY OFFICE OF EDUCATION
COUNTY OF SAN DIEGO
SAN DIEGO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

Introductory Section

San Diego County Office of Education
Audit Report
For The Year Ended June 30, 2018

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Audit Report
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Financial Section

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Diego County Office of Education ("the County Office") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County Office's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 County Office'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 County Office's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego County Office of Education as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, San Diego 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 Management's Discussion and Analysis, and budgetary comparison information and schedule of the County Office's proportionate share of the net pension liability and schedule of County Office pension contributions, and schedule of the County Office's proportionate share of the net OPEB liability and schedule of County Office OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Diego County Office of Education's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 combining financial statements and other supplementary information and the schedule of expenditures of federal awards are 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 17, 2018 on our consideration of San Diego County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County Office's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego County Office of Education's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 17, 2018

This discussion and analysis of the San Diego County Office of Education's financial performance provides an overall review of the County Office's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the County Office's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County Office's financial performance.

USING THESE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017-2018 are as follows:

- Total assets are $334,716,967, an increase of $38,284,330 over 2016-2017.
- Total debt is $183,091,226, an increase of $28,747,895 over 2016-2017.
- Total revenue is $476,587,506, a reduction of $20,437,153 under 2016-2017.
- Total expenses are $456,909,300, a reduction of $15,428,752 under 2016-2017.

Reporting the County Office as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the County Office to provide programs and activities, the view of the County Office as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017-2018?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

Reporting the County Office's Most Significant Fund

Fund Financial Statements

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

General Fund including Fund 20 under GASB 54
Special Education Pass Thru Fund

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

THE COUNTY OFFICE AS A COMPLETE FINANCIAL ENTITY

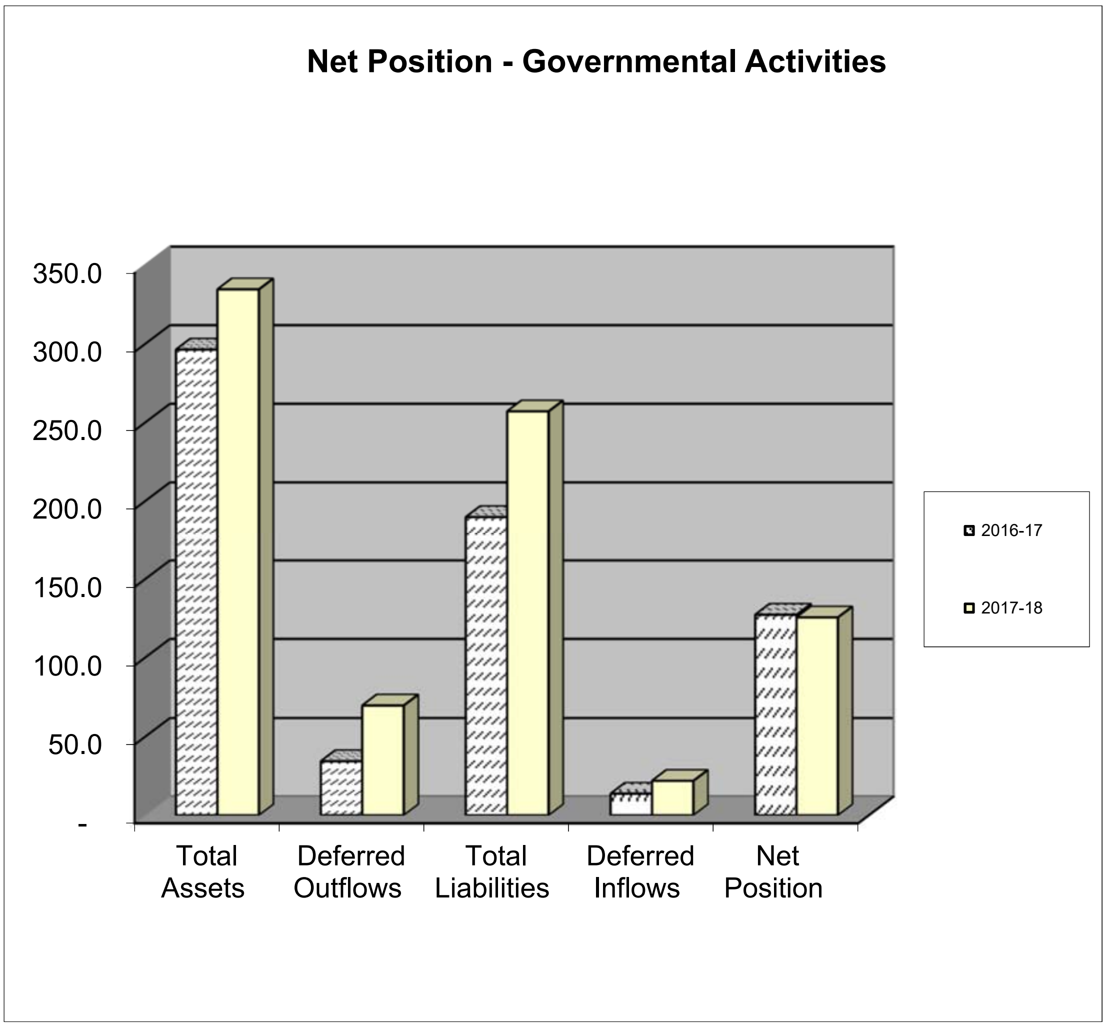
Recall that the Statement of Net Position provides the perspective of the County Office as a whole. Table 1 provides a summary of the County Office's net position for 2016-2017 and 2017-2018.

Table 1
Statement of Net Position
June 30

	2016-17	2017-18
Assets		
Cash	$ 183,381,261	$ 195,833,765
Investments in JPA	1,577,992	1,543,772
Receivables	46,551,687	66,245,193
Due from other funds		
Stores		
Prepaid expenses	2,211,615	1,755,037
Other current assets		-
Capital assets:		
Land	1,877,796	1,877,796
Land improvements	2,119,249	2,119,249
Buildings	38,624,853	40,347,801
Equipment	51,415,470	58,938,783
Work in progress		1,514,454
Less accumulated depreciation	(31,327,286)	(35,458,883)
Total assets	296,432,637	334,716,967
Deferred Outflows of Resources	34,397,517	69,868,857
Liabilities		
Accounts payable	39,081,892	58,813,306
Unearned revenue	4,825,981	15,204,892
Long-term liabilities:		
Due within one year	3,339,717	4,821,458
Due in more than one year	142,532,645	178,269,768
Total liabilities	189,780,235	257,109,424
Deferrred Inflows of Resources	13,668,949	21,938,445
Net Position (from Schedule A-1)		
Net investment in capital assets	62,421,868	68,918,708
Restricted	26,200,484	38,262,331
Unrestricted	38,758,618	18,356,916
Total net position	$ 127,380,970	$ 125,537,955

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

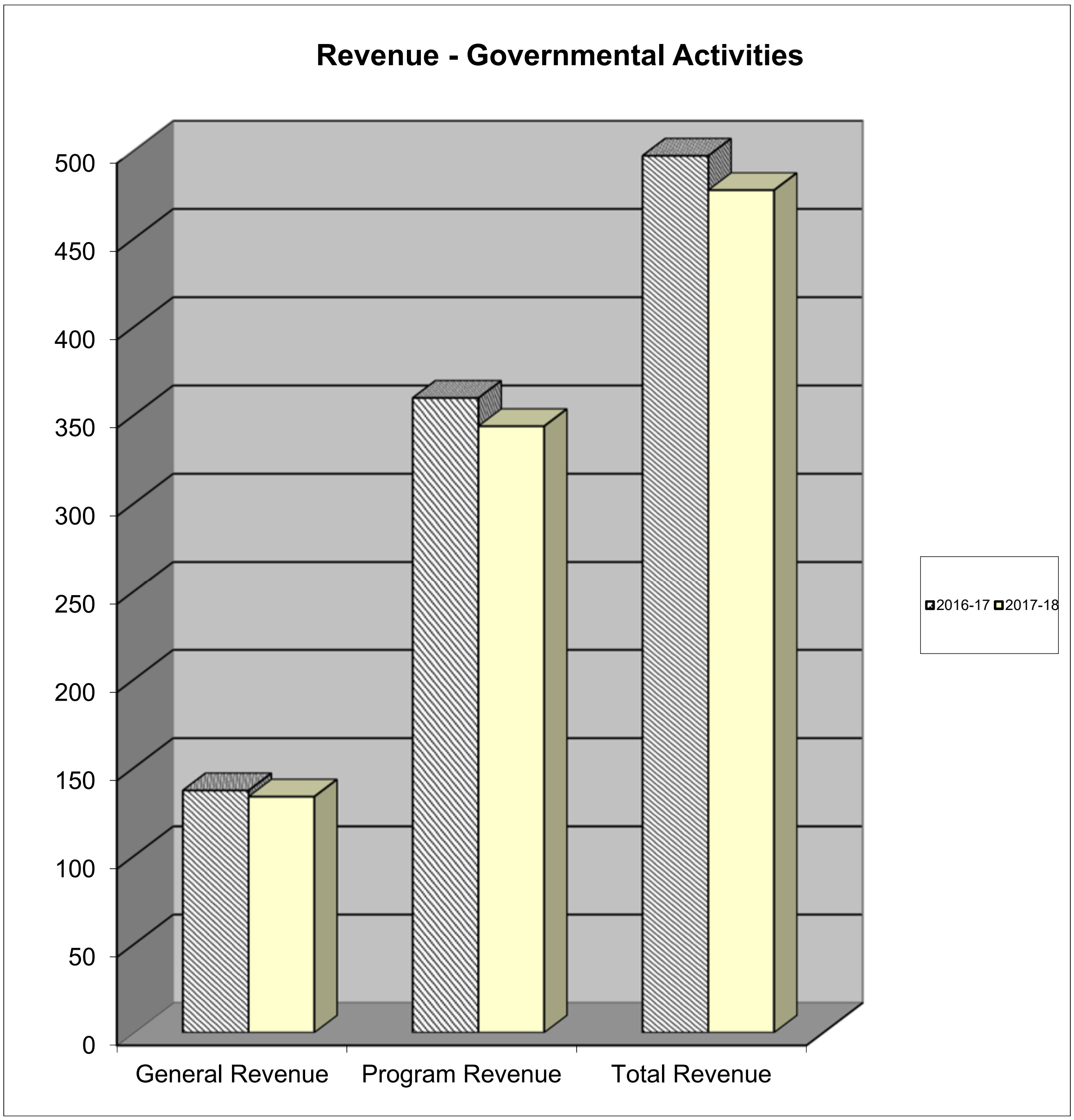
	2016-17	2017-18
Total Assets	296.4	334.7
Deferred Outflows	34.4	69.9
Total Liabilities	189.8	257.1
Deferred Inflows	13.7	21.9
Net Position	127.3	125.6



Total assets were $334.7 million while total liabilities were $257.1 million. Deferred outflows of resources were $69.9 million and deferred inflows of resources were $21.9 million as of June 30, 2018.

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

	2016-17	2017-18
General Revenue	137.2	133.7
Program Revenue	359.8	343.8
Total Revenue	497.0	477.5

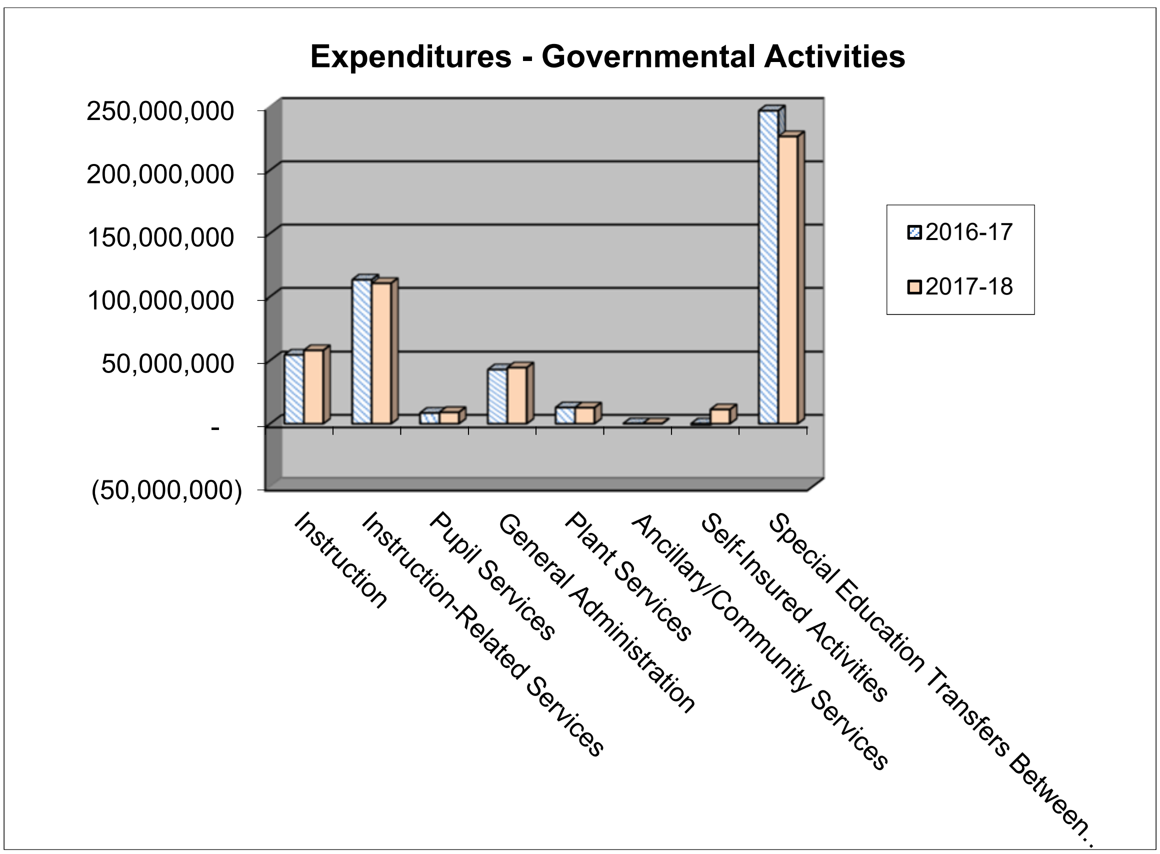


Revenue is divided into general revenue, which funds the basic operations of the County Office, and program revenue, which funds specific program activities that support the children and school districts of San Diego County.

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

Chart 3.
Expenditures - Governmental Activities
June 30

	2016-17	2017-18	Incr/(Decr)
Instruction	54,400,515	57,950,725	3,550,210
Instruction-Related Services	113,329,832	110,575,375	(2,754,457)
Pupil Services	8,465,265	9,006,681	541,416
General Administration	42,762,515	44,304,830	1,542,315
Plant Services	12,792,987	12,638,687	(154,300)
Ancillary/Community Services	140,426	114,751	(25,675)
Self-Insured Activities	(912,827)	11,232,869	12,145,696
Special Education Transfers Betwe	247,033,141	226,643,344	(20,389,797)
Total Expenditures	478,011,854	472,467,262	(5,544,592)



The expenditures are divided into function classifications. They cover the cost of operating the County Office and operating many of the programs that assist school districts with curriculum, assessment, technology, staff development, and business support services. The expenditures decreased by $5.5 million, of which $20.4 million was the result of Special Education Transfers Between Agencies.

THE COUNTY OFFICE'S FUNDS

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

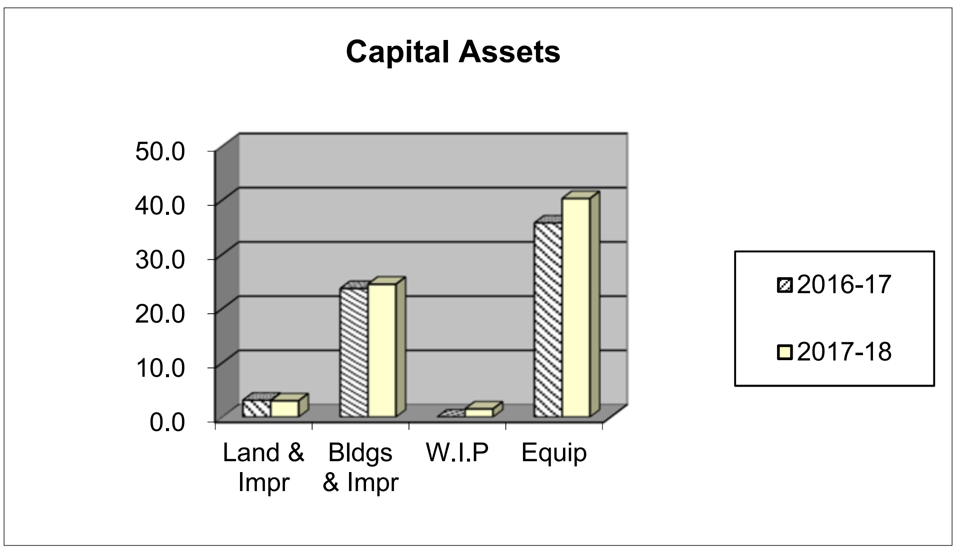
During the course of the 2017-2018 fiscal year, the County Office revised its general fund budget on occasion to better serve our client populations. None of the revisions were significant in terms of the overall budget. The County Office uses a fairly centralized budgeting process which affords control of the budget while allowing flexibility at the program level.

CAPITAL ASSETS

At the end of the 2017-2018 fiscal year, the County Office had $104.8 million invested in land, buildings, work in progress, and capital equipment. Depreciation totaling $35.5 million was charged against the value of those assets for net capital assets of $69.3 million. Table 4 shows the breakdown of capital assets.

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

	2016-17	2017-18
Land & Improvements	3.1	3.0
Buildings & Improvements	23.7	24.5
Work In Progress	0.0	1.5
Equipment	35.8	40.3
Total	62.7	69.3

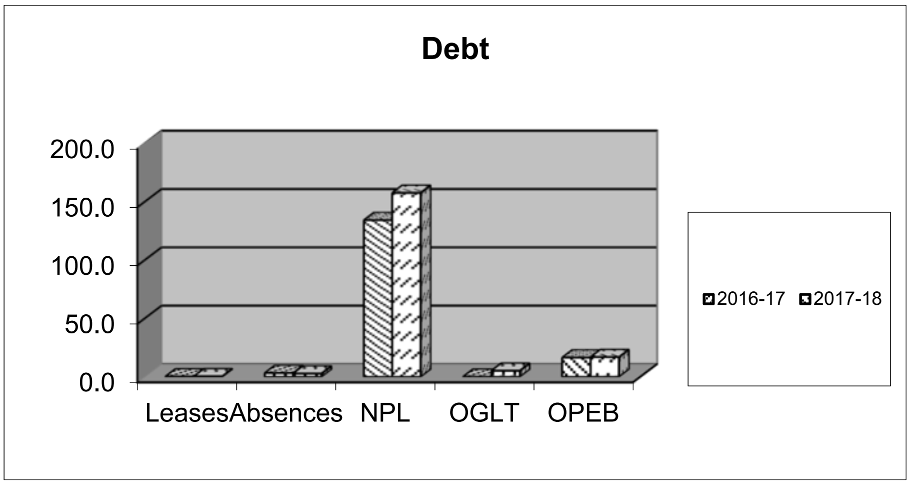


DEBT

As of June 30, 2018, the County Office had capital leases of $.4 million, compensated absences of $2.8 million, a net pension liability of $157.7 million, , and other general long term deb of $5.2 million, and other post-employment benefits obligation of $16.9 million as implemented by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions," utilizing a measurement date of June 30, 2017.

Chart 5.
Debt - Governmental Funds
(In Millions)

	2016-17	2017-18
Capital Leases	0.3	0.4
Compensated Absences	3.2	2.8
Net Pension Liability	134.3	157.7
Other General Long-Term	0.0	5.2
OPEB	16.5	16.9
Total	154.3	183.0



CURRENT FINANCIAL RELATED ACTIVITIES

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

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

A major concern for SDCOE and all districts continues to be the significant rate increases to the CalSTRS and CalPERS employer pension contribution rates, which are estimated to increase to 16.28% and 20.04%, respectively, based upon employee payroll for each of the pension systems.

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

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

CONTACTING THE COUNTY OFFICE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash	$ 195,833,765
Receivables	66,245,193
Prepaid Expenses	1,755,037
Investment in JPA	1,543,772
Capital Assets:	
Land	1,877,796
Land Improvements	2,119,249
Buildings	40,347,801
Equipment	58,938,783
Work in Progress	1,514,454
Less Accumulated Depreciation	(35,458,883)
Total Assets	334,716,967
DEFERRED OUTFLOWS OF RESOURCES	69,868,857
LIABILITIES	
Accounts Payable	58,813,306
Unearned Revenue	15,204,892
Long-Term Liabilities:	
Due Within One Year	4,821,458
Due in More Than One Year	178,269,768
Total Liabilities	257,109,424
DEFERRED INFLOWS OF RESOURCES	21,938,445
NET POSITION	
Net Investment in Capital Assets	68,918,708
Restricted for:	
Capital Projects	18,307,125
Educational Programs	14,464,018
Other Purposes (Expendable)	3,708,751
Other Purposes (Nonexpendable)	1,782,437
Unrestricted	18,356,916
Total Net Position	$ 125,537,955

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 57,950,725	$ 1,740,168	$ 30,274,571	$ 478	$ (25,935,508)
Instruction-Related Services:					
Instructional Supervision and Administration	101,709,250	14,451,493	65,826,840	-	(21,430,917)
Instructional Library, Media and Technology	2,278,800	228,836	221,520	-	(1,828,444)
School Site Administration	6,587,325	240	178,205	-	(6,408,880)
Pupil Services:					
Food Services	1,786,817	2,821	484,876	-	(1,299,120)
All Other Pupil Services	7,219,864	273,327	4,667,510	-	(2,279,027)
General Administration:					
Centralized Data Processing	20,694,711	275,903	32,057	-	(20,386,751)
All Other General Administration	23,018,737	962,768	4,213,964	-	(17,842,005)
Plant Services	12,638,687	180,857	968,762	-	(11,489,068)
Ancillary Services	115,118	59,909	5,758	-	(49,451)
Community Services	(367)	445	42	-	854
Self-Insured Activities	11,232,869	2,232,869	-	-	(9,000,000)
Interest on Long-Term Debt	23,584	-	-	-	(23,584)
Special Education Transfers Between Agencies	226,643,344	9,739,397	206,812,426	-	(10,091,521)
Depreciation (Unallocated)*	567,798	-	-	-	(567,798)
Total Expenses	$ 472,467,262	$ 30,149,033	$ 313,686,531	$ 478	$ (128,631,220)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	79,181,471
Taxes Levied for Other Specific Purposes	3,427,494
Federal and State Aid Not Restricted to Specific Programs	36,479,756
Interest and Investment Earnings	2,750,636
Miscellaneous	11,875,100
Total General Revenues	$ 133,714,457
Change in Net Position	5,083,237
Net Position Beginning - As Restated (See Note U)	120,454,718
Net Position Ending	$ 125,537,955

*This amount excludes depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 145,778,785	$ 38,516	$ 45,310,583	$ 191,127,884
Cash on Hand and in Banks	289,580	-	-	289,580
Cash in Revolving Fund	27,400	-	-	27,400
Accounts Receivable	25,327,830	40,603,713	289,780	66,221,323
Due from Other Funds	474,532	1,095,182	5,316,225	6,885,939
Prepaid Expenditures	1,747,587	-	7,450	1,755,037
Total Assets	173,645,714	41,737,411	50,924,038	266,307,163
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 16,268,218	$ 41,396,379	$ 1,143,474	$ 58,808,071
Due to Other Funds	8,146,987	341,032	87,457	8,575,476
Unearned Revenue	3,328,616	-	674,526	4,003,142
Total Liabilities	27,743,821	41,737,411	1,905,457	71,386,689
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	27,400	-	-	27,400
Prepaid Items	1,747,587	-	7,450	1,755,037
Restricted Fund Balances	17,996,275	-	18,483,619	36,479,894
Committed Fund Balances	-	-	7,779,729	7,779,729
Assigned Fund Balances	70,932,648	-	22,747,783	93,680,431
Unassigned:				
Reserve for Economic Uncertainty	4,900,158	-	-	4,900,158
Other Unassigned	50,297,825	-	-	50,297,825
Total Fund Balance	145,901,893	-	49,018,581	194,920,474
Total Liabilities and Fund Balances	$ 173,645,714	$ 41,737,411	$ 50,924,038	$ 266,307,163

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds balance sheet		$ 194,920,474
Amounts reported for assets, deferred outflows of resources, liabilities and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets relating to governmental activities, at historical cost:	104,798,083	
Accumulated depreciation:	(35,458,883)	
Net:		69,339,200
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 teh end of the period was:		(5,235)
Investment in JPA: In governmental funds the investment in JPA is not recorded because the investment involves an interest in capital assets less the long term debt used to finance those assets. In the government-wide statement of net position the investment is reflected.		1,543,772
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Capital leases payable	420,492	
Net pension liability	157,688,694	
Retirement incentive	5,223,367	
Compensated absences payable	2,812,139	
Total:		(166,144,692)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources relating to pensions		58,213,394
Deferred inflows of resources relating to pensions		(21,692,450)
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		(10,636,510)
Rounding Variance		2
Net position of governmental activities - statement of net position		$ 125,537,955

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 34,697,863	$ -	$ -	$ 34,697,863
Education Protection Account Funds	310,342	-	-	310,342
Local Sources	77,956,851	-	1,225,000	79,181,851
Federal Revenue	24,795,650	61,665,976	767,796	87,229,422
Other State Revenue	60,612,680	156,422,682	4,653,693	221,689,055
Other Local Revenue	49,479,041	-	3,999,932	53,478,973
Total Revenues	247,852,427	218,088,658	10,646,421	476,587,506
Expenditures:				
Current:				
Instruction	54,380,335	-	-	54,380,335
Instruction - Related Services	101,828,005	-	4,868,910	106,696,915
Pupil Services	8,429,385	-	-	8,429,385
Ancillary Services	115,065	-	-	115,065
Community Services	(692)	-	-	(692)
Enterprise	19,308	-	-	19,308
General Administration	38,375,161	-	223,672	38,598,833
Plant Services	10,248,211	-	539,463	10,787,674
Other Outgo	8,225,313	218,088,658	329,373	226,643,344
Capital Outlay	8,193,577	-	2,841,874	11,035,451
Debt Service:				
Principal	47,275	-	138,059	185,334
Interest	2,748	-	15,600	18,348
Total Expenditures	229,863,691	218,088,658	8,956,951	456,909,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,988,736	-	1,689,470	19,678,206
Other Financing Sources (Uses):				
Transfers In	269,308	-	6,144,173	6,413,481
Transfers Out	(15,163,481)	-	(250,000)	(15,413,481)
Other Sources	123,989	-	193,623	317,612
Total Other Financing Sources (Uses)	(14,770,184)	-	6,087,796	(8,682,388)
Net Change in Fund Balance	3,218,552	-	7,777,266	10,995,818
Fund Balance, July 1	142,683,341	-	41,241,315	183,924,656
Fund Balance, June 30	$ 145,901,893	$ -	$ 49,018,581	$ 194,920,474

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds		$ 10,995,818
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:	11,035,452	
Depreciation expense:	(4,401,470)	
Net:		6,633,982
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:		185,334
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were:		(317,613)
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:		(4,852)
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 governent-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(5,245)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		427,730
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(7,574,329)
Change in value of investment in JPA: Investment in JPA is not accounted for in the governmental funds. Since the Investment in JPA is made up of capital assets and long-term debt, the value is recorded in the government wide financial statements. The change in value of the investment in JPA for the current year is:		(34,220)

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:		(5,223,368)
Change in net position of governmental activities - Statement of Activities	$	5,083,237

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2018

	Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	$ 4,388,901
Accounts Receivable	23,870
Due from Other Funds	1,689,536
Total Current Assets	6,102,307
Total Assets	6,102,307
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - OPEB Related	11,655,463
Total Outflows of Resources	$ 11,655,463
LIABILITIES:	
Current Liabilities:	
Unearned Revenue	$ 11,201,750
Total Current Liabilities	11,201,750
Noncurrent Liabilities:	
Other Postemployment Benefits	16,946,534
Total Noncurrent Liablities	16,946,534
Total Liabilities	28,148,284
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources - OPEB Related	245,995
Total Inflows of Resources	245,995
NET POSITION:	
Unrestricted (Deficit)	(10,636,509)
Total Net Position	$ (10,636,509)

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Interest	$ 28,875
Contributions	2,203,995
Total Revenues	2,232,869
Operating Expenses:	
Other Post Employment Benefits	2,232,869
Total Expenses	2,232,869
Operating Income (Loss)	-
Nonoperating Revenues (Expenses):	
All Other Financing Uses	(9,000,000)
Total Nonoperating Revenues (Expenses)	(9,000,000)
Income (Loss) before Contributions and Transfers	(9,000,000)
Interfund Transfers In	9,000,000
Change in Net Position	-
Total Net Position - Beginning (As Restated - See Note U)	(10,636,509)
Total Net Position - Ending	$ (10,636,509)

SAN DIEGO COUNTY OFFICE OF EDUCATION
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	$ 10,777,596
Cash Payments to Other Suppliers for Goods and Services	(9,466,469)
Net Cash Provided (Used) by Operating Activities	1,311,127
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	9,148
Net Cash Provided (Used) for Investing Activities	9,148
Net Increase (Decrease) in Cash and Cash Equivalents	1,320,275
Cash and Cash Equivalents at Beginning of Year	3,068,626
Cash and Cash Equivalents at End of Year	$ 4,388,901
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating & Investing Activities:	
Operating Income (Loss)	$ -
Adjustment to Beginning Balance for Change in Accounting Policy	(6,926,252)
Adjustments to Reconcile Operating & Investment Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(14,726)
Decrease (Increase) in Due From Other Funds	(455,273)
Decrease (Increase) in Deferred Outflows of Resources	(11,655,462)
Increase (Decrease) in Unearned Revenue	11,201,750
Increase (Decrease) in Total OPEB Liability	8,924,243
Increase (Decrease) in Deferred Inflows of Resources	245,995
Total Adjustments	1,320,275
Net Cash Provided (Used) by Operating & Investment Activities	$ 1,320,275

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

	OPEB Trust Fund	Private-Purpose Trust Funds	Agency Funds
ASSETS:			
Cash in County Treasury	$ -	$ 132,615,200	$ 42,224,529
Cash on Hand and in Banks	-	750,000	3,275
Cash with a Fiscal Agent/Trustee	18,027,413	13,772,962	-
Accounts Receivable	-	2,877,594	-
Prepaid Expenditures/Expenses	-	30,000	-
Total Assets	18,027,413	150,045,756	42,227,804
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources - OPEB Related	-	149,159	-
Deferred Outflows of Resources - Pension Related	-	2,135,613	-
Total Outflows of Resources	-	2,284,772	-
LIABILITIES:			
Current Liabilities:			
Accounts Payable	-	2,251,005	-
Due to Student Groups/Other Groups	-	-	42,227,804
Unearned Revenue	-	2,447,586	-
Liability for Underground Storage Tanks	-	70,000	-
Unpaid Self-Insurance Claim Liabilities	-	60,117,961	-
Total Current Liabilities	-	64,886,552	42,227,804
Long-Term Liabilities:			
Compensated Absences Payable	-	413,874	
Net OPEB Liability	-	488,269	
Net Pension Liability	-	4,451,070	
Total Long-Term Liabilities	-	5,353,213	-
Total Liabilities	-	70,239,765	42,227,804
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - OPEB Related	-	2,887	
Deferred Inflows of Resources - Pension Related	-	940,472	-
Total Deferred Inflows of Resources	-	943,359	-
NET POSITION:			
Held in Trust for OPEB Benefit	18,027,413	-	-
Held in Trust	-	81,147,404	-
Total Net Position	$ 18,027,413	$ 81,147,404	$ -

SAN DIEGO COUNTY OFFICE OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	OPEB Trust Fund	Private-Purpose Trust Funds
Additions:		
Investment Income	$ 746,595	$ 1,999,818
Participant Fees	-	115,725,367
Employer Contributions Outside of Trust	2,208,296	-
Employer Cotributions Inside of Trust	9,000,000	
Commissions and Refunds	-	1,207,763
Total Additions	11,954,891	118,932,948
Deductions:		
Claims Paid, Net of Recoveries	-	60,571,686
Insurance Premiums	-	25,808,682
OPEB Reimbursements Outside of Trust	2,208,296	-
Administrative Expenses	6,223	7,661,058
Construction Projects	-	16,229,195
Other Expenses	-	141,568
Total Deductions	2,214,519	110,412,189
Change in Net Position	9,740,372	8,520,759
Net Position-Beginning of the Year (As Restated - See Note U)	8,287,041	72,626,644
Net Position-End of the Year	$ 18,027,413	$ 81,147,403

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

San Diego County Office of Education (County Office) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the County Office conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

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

2. Component Units

Component units are legally separate organizations for which the County Office is financially accountable**.** Component units may also include organizations that are fiscally dependent on the County Office in that the County Office approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the County Office is not financially accountable but the nature and significance of the organization's relationship with the County Office is such that exclusion would cause the County Office's financial statements to be misleading or incomplete. The County Office has no component units. Additionally, the County Office is not a component unit of any other reporting entity as defined by GASB Statements 14, 39, and 61.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities 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 revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County Office's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County Office does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County Office's funds, with separate statements presented for each fund category. 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 nonmajor funds.

The County Office reports the following major governmental funds:

General Fund. This is the County Office's primary operating fund. It accounts for all financial resources of the County Office except those required to be accounted for in another fund.

Special Education Pass-Through Fund. This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

In addition, the County Office reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the County Office. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the County Office's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Self-Insurance Fund. The self-insurance fund is used to account for the activities of the County Office's Other Post Employments Benefit Plan for retiree healthcare self-insured activities.

Pension (and Other Employee Benefit) Trust Funds: These funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

The County Office has an Other Post Employment Benefit (OPEB) Plan Trust Fund which holds assets that are accumulated for the payment of OPEB Plan benefits.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

The County Office has fiduciary responsibility for six private-purpose trust funds organized under joint powers agreements for the administration of self-insurance plans, joint facilities costs, and joint energy projects.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County Office programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

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

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

4. Encumbrances

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

5. Budgets and Budgetary Accounting

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

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

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

6. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

7. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. These inventories are immaterial and have been omitted from these statements.

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings	20-50
Building Improvements	20-25
Land Improvements	20-25
Vehicles	8
Office Equipment	5-15
Computer Equipment	5-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the County Office in the government-wide financial statements. For certain eligible employees 25% of accrued sick leave may be requested to be paid out upon retirement. This portion of accumulated sick leave is recorded as a liability in the government-wide financial statements. The remaining accumulated sick leave benefits are not recognized as liabilities of the County Office. The County Office's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Unearned Revenue

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the County Office.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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

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

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

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

8. Deferred Inflows and Deferred Outflows of Resources

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

9. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 20 (Special Reserve Fund for Postemployment Benefits) is merged with the General Fund for purposes of presentation in the audit report.

10. 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 CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

12. Fair Value Measurements

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

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

13. Change in Accounting Policies

The County Office has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service for defined benefit OPEB.

The County Office provides a defined benefit OPEB plan that is administered through a trust and meets the criteria specified in GASB 75. As a result, the County Office has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note R. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note O.

GASB 81 - Irrevocable Split-Interest Agreements

The primary objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The County Office does not receive resources pursuant to an irrevocable split-interest agreement, nor does the County Office have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The County Office has adopted the accounting policies in the event that the County Office obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were 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 OPEB). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the County Office recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 86 - Certain Debt Extinguishment Issues

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The County Office does not have any in-substance defeasance of debt as of June 30, 2018. The County Office has adopted the accounting policies in the event that the County Office extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name		Deficit Amount	Remarks
Self Insurance Fund	$	10,636,509	The deficit in Self-Insurance Fund ending fund balance can be attributed to the increase in Net OPEB Obligation as a result of only partial funding the liability.

C. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool ($370,356,514 as of June 30, 2018). The fair value of the County Office's portion of this pool as of that date, as provided by the pool sponsor, was $370,356,514. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

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

Cash balances on hand and in banks ($1,042,855 as of June 30, 2018) and in the revolving fund ($27,400) are insured up to $250,000 by the Federal Depository Insurance Corporation.

3. Cash With Fiscal Agent - Cash Equivalents

The County Office's cash with fiscal agent at June 30, 2018 are shown below.

Account Type	Maturity	Amount Reported
Union Bank Institutional Trust Fund	<30 Days	$ 13,772,962
Total Cash With Fiscal Agent - Cash Equivalents		$ 13,772,962

4. Investments

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

The County Office reports these investments at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable**.** Observable inputs are inputs that reflect the County Office's own assumptions about the assumptions market participants would use in pricing the investment based on the best information available.

The following table presents investments measured at fair value on a recurring basis at June 30, 2018:

Investment	Total	Level 1	Level 2	Level 3
OPEB investments:				
Beneficial interests in investments held by CERBT Trust	$ 18,027,413	$ -	$ -	$ 18,027,413

The following is a reconciliation of the beginning and ending balance of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

	Beneficial Interests in Investments Held by CERBT Trust
Balance at June 30, 2017	$ 8,287,041
Purchases/contributions of investments	11,208,296
Investment return, net	746,595
Distributions	(2,208,296)
Administrative expenses	(6,223)
Balance at June 30, 2018	$ 18,027,413

5. General Authorizations

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

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

6. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County Office's name.

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

California Government Code requires that a financial institution secure deposits made by State or Local Governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2018, the County Office's bank balances (including revolving cash) of $820,255 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the County Office.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

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

7. Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts Receivable as of June 30, 2018 consisted of the following:

	Major Governmental Funds			
	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:				
Special Education	$ 535,002	$ 36,116,620	$ -	$ 36,651,622
Early Intervention	524,685	-	-	524,685
Migrant Education	542,756	-	-	542,756
21st Century	4,496,940	-	-	4,496,940
Other Federal Programs	607,379	-	-	607,379
State Government:				
Special Education	6,609,960	4,487,093	-	11,097,053
Lottery	76,472	-	-	76,472
Foster Youth	540,730	-	-	540,730
After School Education and Safety	2,413,458	-	-	2,413,458
Other State Programs	45,185	-	98,682	143,867
Local Sources:				
Interest	696,505	-	191,098	887,603
Quality Preschool Initiative	4,124,919	-	-	4,124,919
California Volunteers	638,160	-	-	638,160
Vallecitos Loan	575,000	-	-	575,000
Fees & Contracts	2,900,679	-	-	2,900,679
Totals	$ 25,327,830	$ 40,603,713	$ 289,780	$ 66,221,323

	Self Insurance Fund	Private Purpose Trusts
Local Sources:		
Interest	$ 23,870	$ 599,844
Fees & Contracts	-	2,277,750
Totals	$ 23,870	$ 2,877,594

There are no significant receivables which are not scheduled for collection within one year of year end.

E. Prepaid Expenses

Prepaid expenses as of June 30, 2018 consisted of the following:

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Prepaid travel	$ 40,182	$ -	$ -	$ 40,182
Prepaid insurance	1,500,000	-	-	1,500,000
Other prepaid expenses	207,405	-	7,450	214,855
Totals	$ 1,747,587	$ -	$ 7,450	$ 1,755,037

	Private Purpose Trusts
Prepaid insurance	$ 30,000
Totals	$ 30,000

F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,877,796	$ -	$ -	$ 1,877,796
Work in progress	-	1,514,454	-	1,514,454
Total capital assets not being depreciated	1,877,796	1,514,454	-	3,392,250
Capital assets being depreciated:				
Buildings	38,624,853	1,722,948	-	40,347,801
Improvements	2,119,249	-	-	2,119,249
Equipment	51,415,470	7,798,050	274,737	58,938,783
Total capital assets being depreciated	92,159,572	9,520,998	274,737	101,405,833
Less accumulated depreciation for:				
Buildings	(14,876,838)	(951,369)	-	(15,828,207)
Improvements	(873,641)	(101,952)	-	(975,593)
Equipment	(15,576,807)	(3,348,149)	(269,873)	(18,655,083)
Total accumulated depreciation	(31,327,286)	(4,401,470)	(269,873)	(35,458,883)
Total capital assets being depreciated, net	60,832,286	5,119,528	4,864	65,946,950
Governmental activities capital assets, net	$ 62,710,082	$ 6,633,982	$ 4,864	$ 69,339,200

Depreciation was charged to functions as follows:

Instruction	$ 50,645
Instruction-Related Services	173,573
Pupil Services	501
General Administration	2,141,018
Plant Services	1,467,935
Unallocated	567,798
	$ 4,401,470

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Education Fund	$ 341,032	Special education revenue
General Fund	Nonmajor Govt. Funds	87,457	Reimburse expenses
General Fund	General Fund	46,043	Special reserve fund transfer
Special Education Fund	General Fund	1,095,182	Special education revenue
Nonmajor Govt. Funds	General Fund	1,069	Child development expenses
Nonmajor Govt. Funds	General Fund	5,315,156	Capital projects reserve
Self-Insurance Fund	General Fund	1,689,536	OPEB costs
	Total	$ 8,575,475	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Nonmajor Govt. Funds	$ 6,144,173	Capital projects
General Fund	Self-Insurance Fund	9,000,000	OPEB contribution
General Fund	General Fund	19,308	SERP transfer
Nonmajor Govt. Funds	General Fund	250,000	Redevelopment transfer
	Total	$ 15,413,481	

H. Accounts Payable

Accounts Payable as of June 30, 2018 consisted of the following:

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 14,008,575	$ -	$ 1,125,894	$ 15,134,469
Payroll and related benefits	951,310	-	3,833	955,143
Pension related liabilities	1,293,725	-	13,503	1,307,228
OPEB related liabilities	8,958	-	52	9,010
Sales tax payable	5,650	-	192	5,842
Pass through liabilities	-	41,396,379	-	41,396,379
Totals	$ 16,268,218	$ 41,396,379	$ 1,143,474	$ 58,808,071

	Private Purpose Trusts
Vendor payables	$ 2,251,005
Totals	$ 2,251,005

I. Unearned Revenue

Unearned Revenue as of June 30, 2018 consisted of the following:

	Major Governmental Funds			
	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:				
Title III	$ 164,129	$ -	$ -	$ 164,129
Other Federal Programs	16,133	-	-	16,133
State Government:				
California Career Pathways	734,184	-	-	734,184
Career Technical Education Grant	697,729	-	-	697,729
TUPE Technical Assistance	134,081	-	-	134,081
Child Development Program	-	-	674,526	674,526
Other State Programs	4,169	-	-	4,169
Local Sources:				
Special Education Legal Alliance	209,370	-	-	209,370
PEG Fund Grant	192,118	-	-	192,118
Energy Upgrade	107,007	-	-	107,007
NC Professional Development	246,969	-	-	246,969
Robinson Memorial Scholarship	187,608	-	-	187,608
Other Fees and Contracts	635,119	-	-	635,119
Totals	$ 3,328,616	$ -	$ 674,526	$ 4,003,142

	Self Insurance Fund	Private Purpose Trusts
Local Sources:		
Prepaid Contributions	$ 11,201,750	$ -
Fees and Contracts	-	2,447,586
Totals	$ 11,201,750	$ 2,447,586

J. Short-Term Debt Activity

The County Office accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. The County Office did not enter into any short-term debt arrangements for the fiscal year ended June 30, 2018.

K. Components of Ending Fund Balance

As of June 30, 2018 ending fund balance in governmental funds consisted of:

	Major Governmental Funds			
	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances				
Revolving Cash	$ 27,400	$ -	$ -	$ 27,400
Prepaid Expenses	1,747,587	-	7,450	1,755,037
Total Nonspendable	1,774,987	-	7,450	1,782,437
Restricted Fund Balances				
Educational Programs	13,761,697	-	702,321	14,464,018
Medi-Cal	756,737	-	-	756,737
Mental Health	99,620	-	-	99,620
Capital Projects	525,827	-	17,781,298	18,307,125
Other Restricted	2,852,394	-	-	2,852,394
Total Restricted	17,996,275	-	18,483,619	36,479,894
Committed Fund Balances				
Deferred Maintenance	-	-	7,779,729	7,779,729
Total Committed	-	-	7,779,729	7,779,729
Assigned Fund Balances				
Educational Programs	49,535,489	-	-	49,535,489
Post Employment Benefits	4,244,042	-	-	4,244,042
Equipment Reserve	1,680,000	-	-	1,680,000
Software Reserve	1,160,979	-	-	1,160,979
Pension Reserve	7,000,000	-	-	7,000,000
Vacation Accrual	2,812,138	-	-	2,812,138
Enrollment Reserve	4,500,000	-	-	4,500,000
Forest Reserve	-	-	636	636
Capital Projects	-	-	22,747,147	22,747,147
Total Assigned	70,932,648	-	22,747,783	93,680,431
Unassigned Fund Balances				
For Economic Uncertainty	4,900,158	-	-	4,900,158
Other Unassigned	50,297,825	-	-	50,297,825
Total Unassigned	55,197,983	-	-	55,197,983
Total Fund Balance	$ 145,901,893	$ -	$ 49,018,581	$ 194,920,474

L. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital leases	$ 288,213	$ 317,613	$ 185,334	$ 420,492	$ 99,848
Retirement incentive	-	5,668,414	445,047	5,223,367	1,909,471
Compensated absences *	3,239,869	-	427,730	2,812,139	2,812,139
Net pension liability	134,321,989	23,366,705	-	157,688,694	-
Net OPEB liability	16,493,260	453,274	-	16,946,534	-
Total governmental activities	$ 154,343,331	$ 29,806,006	$ 1,058,111	$ 183,091,226	$ 4,821,458
Private Purpose Trusts					
Net OPEB liability	$ 427,931	$ 60,338	$ -	$ 488,269	-
Net pension liability	3,718,727	732,343	-	4,451,070	-
Compensated absences *	251,908	161,966	-	413,874	413,874
Total Private Purpose Trusts	$ 4,398,566	$ 954,647	$ -	$ 5,353,213	$ 413,874

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Compensated absences	Private Purpose Trusts	Private Purpose Trust Funds

2. Capital Leases

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

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

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

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

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

During the 2017-18 fiscal year the County Office entered into lease agreements with Dell Financial Services to finance the purchase of computer equipment. The lease calls for annual payments of $37,735 which are inclusive of principal and accrued interest. Interest accrues at a rate of 6.173%. Total lease amounts are $138,277 with the first payment made during the 2017-18 fiscal year.

During the 2017-18 fiscal year the County Office entered into lease agreements with Dell Financial Services to finance the purchase of computer equipment. The lease calls for annual payments of $23,726 which are inclusive of principal and accrued interest. Interest accrues at a rate of 4.65%. Total lease amounts are $88,769 with the first payment made during the 2017-18 fiscal year.

The capital leases have minimum lease payments as follows:

Year Ending June 30:	
2019	$ 203,682
2020	173,487
2021	85,748
Total Minimum Rentals	462,917
Less: Amounts Representing Interest	42,425
Present Value of Minimum Lease Payments	$ 420,492

3. Retirement Incentive

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

M. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for property provide for minimum future rental payments as of June 30, 2018 as follows:

Year Ending June 30,	
2019	$ 782,121
Total Minimum Rentals	$ 782,121

The County Office will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

In conjunction with the County Office's participation in the San Diego County Educational Facilities Authority No. 1, the County Office entered into a lease agreement with the JPA for use of the premises. The lease was renewed in November 2003 to reflect the changes in the bond refinancing. The term of the lease ends on August 15, 2018. The JPA holds title to the property, and upon expiration of the lease, the title to the property will remain with the JPA.

Future gross minimum lease payments under the agreement are as follows:

Year Ending June 30,	
2019	$ 178,719
Total Minimum Lease Payments	$ 178,719

Commitments under operating (noncapitalized) lease agreements for copy machines provide for minimum future rental payments as of June 30, 2018 as follows:

Year Ending June 30,		
2019	$	1,552
2020		1,552
Total Minimum Rentals	$	3,104

Commitments under operating (noncapitalized) lease agreements for computers provide for minimum future rental payments as of June 30, 2018 as follows:

Year Ending June 30,		
2019	$	32,058
2020		2,325
Total Minimum Rentals	$	34,383

N. Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed unaudited financial information of the County Office's share of the JPA for the year ended June 30, 2018 is as follows:

	San Diego County Schools Risk Management			
	Workers Compensation Fund	Property & Liability Fund	Miscellaneous Property Fund	Total Combined Funds
Assets	$ 4,558,849	$ 599,887	$ 51,767	$ 5,210,503
Deferred Outflows of Resources	29,331	11,023	2,079	42,433
Liabilities	1,679,733	352,666	9,980	2,042,379
Deferred Inflows of Resources	11,154	4,392	1,379	16,925
Total Net Position	$ 2,897,293	$ 253,852	$ 42,487	$ 3,193,632
Income	$ 1,289,953	$ 157,723	$ 75,819	$ 1,523,495
Expenses	1,301,376	198,325	67,738	1,567,439
Change in Net Position	$ (11,423)	$ (40,602)	$ 8,081	$ (43,944)

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

In November 2003, the JPA issued new lease revenue bonds in the amount of $4,155,000 for the purpose of advance refunding $3,890,000 of the JPA's outstanding 1995 lease revenue bonds and to pay $125,000 principal of the 1995 lease revenue bonds that matured on August 15, 2004. The new bonds mature from August 15, 2004 to August 15, 2018 with interest rates ranging from 2% to 4.25%. The County Office's interest in the JPA is recorded as Investment in JPA on the Statement of Net Position.

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

In February 2005, the County Office issued $10,875,000 of Certificates of Participation (COP) to provide funds to finance a portion of the construction costs of the NCREC. These COP's have been fully repaid as of June 30, 2018.

In July 2010, the County Office entered into a Joint Powers Agreement (JPA) with Carlsbad Unified School District, Ramona Unified School District, Coronado Unified School District, Santee School District, San Pasqual Union Elementary School District, Poway Unified School District, Borrego Springs Unified School District, Bonsall School District, Valley Center-Pauma Unified School District, and Lakeside Union School District. The JPA entity formed is called the San Diego County Energy Authority. The purpose of the agreement is to develop county-wide energy strategies, services and projects which may reduce local energy use borrowing and utility costs, promote the greater use of existing and new energy products, services and/or projects to provide significant public benefits. The financial activities of the JPA are reflected as a fund within the private purpose trust funds. Additional financial information can be obtained from the JPA. The JPA suspended all operations during the 2013-14 fiscal year. Operations were re-activated in September 2014.

In December 2010, the County Office entered into a Joint Powers Agreement (JPA) with Lemon Grove School District, Julian Union High School District, and La Mesa Spring Valley School District. Julian Union High School District subsequently left the JPA in June 2011. During the 2013-14 fiscal year Industrial and Municipal Stormwater Consortium members joined the JPA. The JPA entity formed is called the K-12 Public School Districts and Community Colleges Facility Authority. The purpose of the JPA is to provide a vehicle for member school Districts to cooperatively develop, plan and undertake school facility projects, including but not limited to, construction, maintenance and stormwater management. Members of the JPA change annually based on projects and needs of school districts and community colleges in San Diego County. Financial activities of the JPA are reflected as a fund within the private purpose trust funds. Additional financial information can be obtained from the JPA.

O. Risk Management

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

a. Torts,
b. Theft of, damage to, or destruction of assets,
c. Business interruption,
d. Errors or omissions,
e. Job related illnesses or injuries to employees,
f. Natural disasters,
g. Other risks associated with public entity risk pools

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

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

The County Office purchases insurance through joint powers authorities. The County Office is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

The County Office has established a self-insurance fund for the purpose of accounting for other post employment benefits. The activities of the fund include payment of pay-as-you-go premiums for other post employment health insurance as well as recording of changes in the other post employment benefits liability.

P. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Paid

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

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0-2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.357%	7.357%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.5%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	18.430%	18.430%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 18.430%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the County Office. For the measurement period ended June 30, 2017 (measurement date) the State contributed 7.357% of salaries creditable to CalSTRS. In accordance with GASB 85 the County Office recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the County Office (economic resources measurement focus). On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the County Office's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the County Office for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.457%	$ 1,772,056
2017	5.720%	2,440,711
2018	7.357%	3,187,611

The State's pension expense associated with County Office employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	$ 3,384,777
2017	6,023,619
2018	1,937,009

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Governmental Contributions - Employer	$ 5,367,803	$ 8,264,644	$ 13,632,447
Governmental Contributions - State On Behalf Payments	3,187,611	-	3,187,611
Total Governmental Contributions	8,555,414	8,264,644	16,820,058
Private Purpose Trust Contributions - Employer	-	442,911	442,911
Total Contributions	$ 8,555,414	$ 8,707,555	$ 17,262,969

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

As of June 30, 2018 the County Office reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS	Total
Proportionate Share of Net Pension Liabiltiy - Governmental	$ 74,632,484	$ 83,056,210	$ 157,688,694
Proportionate Share of Net Pension Liability - Private Purpose Trusts	-	4,451,070	4,451,070
Total Proportionate Share of Net Pension Liability	$ 74,632,484	$ 87,507,280	$ 162,139,764

The County Office's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The County Office's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS			
	County Office's Proportionate Share Governmental	County Office's Proportionate Share Private Purpose Trusts	State's Proportionate Share	Total For County Office Employees
Proportion June 30, 2017	0.0800%	-	0.0458%	0.1258%
Proportion June 30, 2018	0.0807%	-	0.0479%	0.1286%
Change in Proportion	0.0007%	-	0.0021%	0.0028%

	CalPERS		
	County Office's Proportionate Share Governmental	County Office's Proportionate Share Private Purpose Trusts	Total For County Office Employees
Proportion June 30, 2017	94.9273%	5.0727%	100.0000%
Proportion June 30, 2018	94.9135%	5.0865%	100.0000%
Change in Proportion	-0.0138%	0.0138%	-

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	Governmental Activities		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 9,900,633	$ 13,466,072	$ 23,366,705
State On Behalf Pension Expense	1,937,009	-	1,937,009
Employer Contributions to Pension Expense	6,252,117	8,261,632	14,513,749
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(869,155)	(178,243)	(1,047,398)
Differences between actual and expected experiences	(257,598)	11,772	(245,826)
Changes in assumptions	(12,904,413)	(14,340,850)	(27,245,263)
Changes in proportionate share	(432,071)	70,970	(361,101)
Net difference between projected and actual earnings	5,236	5,078,476	5,083,712
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(7,945)	(562,507)	(570,452)
Changes in assumptions	-	(782,510)	(782,510)
Changes in proportionate share	(870,350)	8,089	(862,261)
Net difference between projected and actual earnings	7,063,597	3,175,127	10,238,724
Total Pension Expense - Governmental	$ 9,817,060	$ 14,208,028	$ 24,025,088

	Private Purpose Trusts		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ -	$ 732,313	$ 732,313
State On Behalf Pension Expense	-	-	-
Employer Contributions to Pension Expense	-	461,976	461,976
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	-	(19,065)	(19,065)
Differences between actual and expected experiences	-	536	536
Changes in assumptions	-	(768,542)	(768,542)
Changes in proportionate share	-	(56,536)	(56,536)
Net difference between projected and actual earnings	-	279,517	279,517
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	-	(32,176)	(32,176)
Changes in assumptions	-	(43,013)	(43,013)
Changes in proportionate share	-	(22,522)	(22,522)
Net difference between projected and actual earnings	-	144,679	144,679
Total Pension Expense - Private Purpose Trusts	$ -	$ 677,167	$ 677,167
Total Pension Expense	$ 9,817,060	$ 14,885,195	$ 24,702,255

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Governmental Activities			
Pension contributions subsequent to measurement date	$ 6,252,117	$ 8,261,632	$ 14,513,749
Differences between actual and expected experience	257,598	2,498,531	2,756,129
Changes in assumptions	12,904,413	14,340,850	27,245,263
Changes in employer's proportionate share	432,071	178,500	610,571
Net difference between projected and actual earnings	13,056	13,074,625	13,087,681
Total Deferred Outflows of Resources - Governmental Activities	19,859,255	38,354,138	58,213,393
Private Purpose Trusts			
Pension contributions subsequent to measurement date	-	461,976	461,976
Differences between actual and expected experience	-	133,609	133,609
Changes in assumptions	-	768,542	768,542
Changes in employer's proportionate share	-	56,536	56,536
Net difference between projected and actual earnings	-	714,949	714,949
Total Deferred Outflows of Resources - Private Purpose Trusts	-	2,135,612	2,135,612
Total Deferred Outflows of Resources	$ 19,859,255	$ 40,489,750	$ 60,349,005

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Governmental Activities			
Differences between actual and expected experience	$ (13,195)	$ (1,125,015)	$ (1,138,210)
Changes in assumptions	-	(1,565,021)	(1,565,021)
Changes in employer's proportionate share	(1,884,677)	(8,089)	(1,892,766)
Net difference between projected and actual earnings	(7,063,597)	(10,032,856)	(17,096,453)
Total Deferred Inflows of Resources - Governmental Activities	(8,961,469)	(12,730,981)	(21,692,450)
Private Purpose Trusts			
Differences between actual and expected experience	-	(64,353)	(64,353)
Changes in assumptions	-	(86,023)	(86,023)
Changes in employer's proportionate share	-	(226,946)	(226,946)
Net difference between projected and actual earnings	-	(563,150)	(563,150)
Total Deferred Inflows of Resources - Private Purpose Trusts	-	(940,472)	(940,472)
Total Deferred Inflows of Resources	$ (8,961,469)	$ (13,671,453)	$ (22,632,922)

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		
Year Ended June 30,	CalSTRS	CalPERS	CalSTRS	CalPERS	Net Effect on Expenses
2019	$ 9,655,874	$ 17,777,818	$ (2,644,195)	$ (6,426,903)	$ 18,362,594
2020	3,403,756	9,516,184	(2,641,061)	(2,998,037)	7,280,842
2021	3,401,106	7,320,974	(1,910,313)	(1,653,020)	7,158,747
2022	3,398,519	3,739,162	(1,765,900)	(1,653,021)	3,718,760
Total	$ 19,859,255	$ 38,354,138	$ (8,961,469)	$ (12,730,981)	$ 36,520,943

	Private Purpose Trusts				
	Deferred Outflows of Resources		Deferred Inflows of Resources		
Year Ended June 30,	CalSTRS	CalPERS	CalSTRS	CalPERS	Net Effect on Expenses
2019	$ -	$ 989,552	$ -	$ (455,989)	$ 533,563
2020	-	527,573	-	(246,745)	280,828
2021	-	403,974	-	(137,152)	266,822
2022	-	214,513	-	(100,586)	113,927
Total	$ -	$ 2,135,612	$ -	$ (940,472)	$ 1,195,140

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2016		June 30, 2016	
Measurement Date	June 30, 2017		June 30, 2017	
Actuarial Cost Method	Entry Age Normal		Entry Age Normal	
Actuarial Assumptions:				
Discount Rate	7.10%		7.15%	
Inflation	2.75%		2.75%	
Wage Growth	3.50%		3.00%	
Projected Salary Increase	0.5% - 6.4%	(1)	3.10% - 9.00%	(1)
Investment Rate of Return	7.10%	(2)	7.50%	(2)
Mortality	0.073%-22.86%	(3)	0.466%-32.536%	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the County Office bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the County Office bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from CalPERS and CalSTRS websites.

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

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

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

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflects the 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 rates of return are net of administrative expenses.

CalSTRS

Asset Class	Assumed Allocation 06/30/2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

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

The following represents the County Office's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the County Office's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS		
	Governmental Activities	Private Purpose Trusts	Total
1% Decrease	6.10%	6.10%	6.10%
Net Pension Liability	$ 109,584,180	$ -	$ 109,584,180
Current Discount Rate	7.10%	7.10%	7.10%
Net Pension Liability	$ 74,632,484	$ -	$ 74,632,484
1% Increase	8.10%	8.10%	8.10%
Net Pension Liability	$ 46,266,814	$ -	$ 46,266,814

	CalPERS		
	Governmental Activities	Private Purpose Trusts	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	$ 126,967,692	$ 6,804,333	$ 133,772,025
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	$ 83,056,210	$ 4,451,070	$ 87,507,280
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	$ 46,894,784	$ 2,513,141	$ 49,407,925

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

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)	of Net Pension Liability (c)	County Office's of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	$ 339,697,179	$ 237,935,487	$ 101,761,692	$ 37,029,841	$ 64,731,851
Changes for the year:					
Change in proportionate share	7,580,792	5,309,844	2,270,948	1,730,858	540,090
Service cost	7,799,759	-	7,799,759	2,906,051	4,893,708
Interest	26,016,776	-	26,016,776	9,693,385	16,323,391
Differences between expected and actual experience	513,210	-	513,210	191,213	321,997
Change in assumptions	25,709,365	-	25,709,365	9,578,849	16,130,516
Contributions:					
Employer	-	5,367,781	(5,367,781)	(1,999,939)	(3,367,842)
Employee	-	4,425,801	(4,425,801)	(1,648,974)	(2,776,827)
State On Behalf	-	3,187,598	(3,187,598)	(1,187,642)	(1,999,956)
Net investment income	-	32,368,461	(32,368,461)	(12,059,909)	(20,308,552)
Other income	-	92,616	(92,616)	(34,507)	(58,109)
Benefit payments, including refunds of employee contributions	(17,882,008)	(17,882,008)	-	-	-
Administrative expenses	-	(234,568)	234,568	87,396	147,172
Borrowing costs	-	(74,548)	74,548	27,775	46,773
Other expenses	-	(13,185)	13,185	4,913	8,272
Net Changes	49,737,894	32,547,792	17,190,102	7,289,469	9,900,633
Balance at June 30, 2018	$ 389,435,073	$ 270,483,279	$ 118,951,794	$ 44,319,310	$ 74,632,484

CalPERS - Governmental Activities

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 275,919,034	$ 206,328,895	$ 69,590,139
Changes for the year:			
Adjustment for change in proportionate share	(40,088)	(29,977)	(10,111)
Service cost	7,936,155	-	7,936,155
Interest	20,909,817	-	20,909,817
Differences between expected and actual experience	769,755	-	769,755
Changes in assumptions	17,926,062	-	17,926,062
Contributions - Employer	-	8,264,644	(8,264,644)
Contributions - Employee	-	3,170,811	(3,170,811)
Net investment income	-	22,934,739	(22,934,739)
Benefit payments, including refunds of employee contributions	(12,195,706)	(12,195,706)	-
Administrative expenses	-	(304,587)	304,587
Net Changes	35,305,995	21,839,924	13,466,071
Balance at June 30, 2018	$ 311,225,029	$ 228,168,819	$ 83,056,210

CalPERS - Private Purpose Trusts

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 14,744,556	$ 11,025,800	$ 3,718,756
Changes for the year:			
Adjustment for change in proportionate share	40,088	29,977	10,111
Service cost	425,307	-	425,307
Interest	1,120,579	-	1,120,579
Differences between expected and actual experience	41,252	-	41,252
Changes in assumptions	960,677	-	960,677
Contributions - Employer	-	442,911	(442,911)
Contributions - Employee	-	169,927	(169,927)
Net investment income	-	1,229,097	(1,229,097)
Benefit payments, including refunds of employee contributions	(653,581)	(653,581)	-
Administrative expenses	-	(16,323)	16,323
Net Changes	1,934,322	1,202,008	732,314
Balance at June 30, 2018	$ 16,678,878	$ 12,227,808	$ 4,451,070

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

Q. Other Postemployment Benefits - County Office

1. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Certificated (Teachers Only) Employees

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

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

Eligibility for retiree health coverage requires retirement under STRS/PERS on or after age 55 with at least at least ten (10) years of full-time service prior to retirement.

Classified Management & Other Employees

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

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

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

Board Members

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

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

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

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	122
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	1,101
Total number of participants	1,223

2. Total OPEB Liability

The County Office's net OPEB liability of $16,946,534 was measured as of June 30, 2017 , and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.75%
Salary Increases	3.25% per annum, in aggregate
Discount Rate	7.0%
Healthcare Cost Trend Rates	6.50% decreasing to 5.50%
Retiree's Share of Costs	None

The discount rate was based on an average, rounded to five basis points, of the range of 3-20 year municipal bond rate indicies: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, and Fidelity GO AA 20 Year Bond index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Net OPEB Liability

Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	$ 23,735,960	$ 7,288,656	$ 16,447,304
Changes for the year:			
Service cost	1,119,952	-	1,119,952
Interest	1,686,009	-	1,686,009
Contributions - employer	-	1,540,421	(1,540,421)
Net investment income	-	770,219	(770,219)
Administrative costs	-	(3,909)	3,909
Benefit payments	(1,540,421)	(1,540,421)	-
Net changes	1,265,540	766,310	499,230
Balance at June 30, 2018	$ 25,001,500	$ 8,054,966	$ 16,946,534

Private Purpose Trusts

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	$ 683,888	$ 210,001	$ 473,887
Changes for the year:			
Service cost	32,262	-	32,262
Interest	48,568	-	48,568
Contributions - employer	-	44,374	(44,374)
Net investment income	-	22,187	(22,187)
Administrative costs	-	(113)	113
Benefit payments	(44,374)	(44,374)	-
Net changes	36,456	22,074	14,382
Balance at June 30, 2018	$ 720,344	$ 232,075	$ 488,269

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

Sensitivity of the Total OPEB Liabiltiy to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point-higher (8.00%) than the current discount rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total OPEB Liability - Governmental Activities	$ 18,641,187	$ 16,946,534	$ 15,251,881
Total OPEB Liability - Private Purpose Trusts	699,105	488,569	445,000
Total OPEB Liability	$ 19,340,292	$ 17,435,103	$ 15,696,881

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	5.50% decreasing to 4.00%	6.50% decreasing to 5.00%	7.50% decreasing to 6.00%
Total OPEB Liability - Governmental Activities	$ 14,873,282	$ 16,946,534	$ 19,325,890
Total OPEB Liability - Business Type Activities	429,941	488,569	556,969
Total OPEB Liability - District Wide	$ 15,303,223	$ 17,435,103	$ 19,882,859

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

For the year ended June 30, 2018 the County Office recognized OPEB expense of $2,312,520. At June 30, 2018 the County Office reported deferred outflows of resources related to the following sources:

	Governmental Activities	Private Purpose Trusts	Total
Contributions made subsequent to measurement date	$ 11,655,463	$ 109,643	$ 11,765,106
Change in proportionate share	-	39,516	39,516
Total Deferred Outflows of Resources - OPEB Related	$ 11,655,463	$ 149,159	$ 11,804,622

At June 30, 2018 the County Office reported deferred inflows of resources related to the following sources:

	Governmental Activities	Private Purpose Trusts	Total
Difference between projected and actual earnings	$ 208,116	$ 1,250	$ 209,366
Change in proportionate share	37,879	1,637	39,516
Total Deferred Inflows of Resources - OPEB Related	$ 245,995	$ 2,887	$ 248,882

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Governmental Activities	Private Purpose Trusts	Total
2019	$ 11,593,964	$ 118,800	$ 11,712,764
2020	(61,499)	9,157	(52,342)
2021	(61,499)	9,157	(52,342)
2022	(61,499)	9,158	(52,341)
Total	$ 11,409,467	$ 146,272	$ 11,555,739

R. Other Postemployment Benefits - OPEB Trust

1. Plan Description

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

Certificated (Teachers Only) Employees

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

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

Eligibility for retiree health coverage requires retirement under STRS/PERS on or after age 55 with at least at least ten (10) years of full-time service prior to retirement.

Classified Management & Other Employees

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

The County Office does not provide any retiree health benefits beyond age 65 or Medicare eligibility, if earlier**.** Dependent coverage (except COBRA continuation) ceases upon the death of the retiree or when the retiree reaches age 65 or Medicare eligibility, if earlier.

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

Board Members

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

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

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

Plan Membership

At June 30, 2018, Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	122
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	1,101
Total plan membership	1,223

Contributions

The County Office commenced funding through the California Employers' Retiree Benefit Trust (CERBT) in 2014 and elected the CERBT investment allocation strategy 1, which has a CERBT published median yield of 7.28% for invested funds. The County Office made an initial contribution equal to $7,400,000 in October 2014 to offset its accumulated net OPEB obligation. The County Office made an additional contribution equal to $9,000,000 during the 2017-18 fiscal year. Additional pre-funding may be done in future fiscal periods as determined through the budgeting process. The actuarial value of assets for the Plan as of June 30, 2018 is $18,027,413 reflecting the contributions and earings. In addition, the County Office makes pay-as-you-go contributions for premiums due on current retirees receiving benefits.

2. Investments

Investment Policy

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

Investment Strategy

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

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

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

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

Concentrations

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

Rate of Return

For the year ended June 30, 2018, the time weighted investment rates of return for CERBT Strategy 1 were:

Category	1 Year Return	3 Year Return	5 Year Return
Total Fund	10.60%	3.70%	8.10%
Global Equity	19.40%	5.20%	11.10%
Global Fixed Income	0.30%	4.30%	3.90%
TIPS	-0.60%	0.60%	0.20%
REITS	-0.10%	3.90%	7.60%
Commodities	-8.90%	-24.80%	-14.00%

Index	1 Year Return	3 Year Return	5 Year Return
CERBT Strategy 1 Policy Index	9.90%	3.20%	7.70%
CERBT S1 Global Equity Benchmark	19.00%	4.90%	10.80%
CalPERS Custom Long Liability (Daily)	-0.90%	3.50%	2.90%
CalPERS TIPS (Daily)	-0.60%	0.60%	0.30%
PERS FTSE EPRA NAREIT Developed Liquid	-0.90%	3.10%	7.00%
GSCI Total Return (Daily)	-9.00%	-24.80%	-13.70%

For the year ended June 30, 2018, the money-weighted rate of return, net of investment expense, was 7.2%.

3. Net OPEB Liability of the Plan

The components of the net OPEB liability of the Plan at June 30, 2018, calculated under GASB 74, were as follows:

Total OPEB Liability	$ 26,555,955
Plan fiduciary net position	(18,027,413)
Plan's net OPEB liability	$ 8,528,542
Plan fiduciary net position as a percentage of total OPEB liability	67.88%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Fiscal Year: July 1st to June 30th

Measurement Date: June 30, 2018

Funding Policy: Pay-as-you-go

Discount Rate: 7.00% per annum. This discount rate assumes the County Office continues to fully fund for its retiree health benefits through the CERBT under investment allocation Strategy 1.

Inflation: 2.75% per annum

Payroll Increases: 3.25% per annum, in aggregate

Pre-retirement turnover: According to the Crocker-Sarason T-5 turnover table less mortality. Sample rates are as follows:

Age	Males	Females
20	7.9%	7.9%
25	7.7%	7.7%
30	7.2%	7.2%
35	6.3%	6.3%
40	5.2%	5.2%
45	4.0%	4.0%
50	2.6%	2.6%
55	0.9%	0.9%

Mortality Rates:

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations. Sample rates are as follows:

	CalPERS			
	Actives		Retirees	
Age	Males	Females	Males	Females
25	0.040%	0.023%		
30	0.049%	0.025%		
35	0.057%	0.035%		
40	0.075%	0.050%		
45	0.106%	0.071%		
50	0.155%	0.100%		
55	0.228%	0.138%	0.599%	0.416%
60	0.308%	0.182%	0.710%	0.436%
65	0.400%	0.257%	0.829%	0.588%
70			1.305%	0.993%
75			2.205%	1.722%
80			3.899%	2.902%

The CalPERS mortality rates have been updated to reflect those used in the most recent CalPERS pension valuation which reflect additional mortality improvement experience.

	CalSTRS			
	Actives		Retirees*	
Age	Males	Females	Males	Females
25	0.023%	0.013%		
30	0.033%	0.014%		
35	0.034%	0.018%		
40	0.057%	0.034%		
45	0.076%	0.041%		
50	0.103%	0.063%		
55	0.143%	0.093%	0.164%	0.118%
60	0.238%	0.179%	0.300%	0.254%
65	0.435%	0.368%	0.596%	0.468%
70			1.095%	0.864%
75			1.866%	1.451%
80			3.772%	2.759%

*Rates applicable to future retirees include a 2 year setback.

Retirement Rates:

	Percent Retiring*	
Age	CalSTRS Employees	CalPERS Employees
50-54	0%	2%
55	25%	25%
56	15%	15%
57	10%	10%
58	10%	10%
59	10%	10%
60	50%	50%
61	35%	35%
62	50%	50%
63	25%	25%
64	25%	25%
65	100%	100%

*Of those having met eligibility to receive County Office paid benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Retirement Eligibility Age: The earliest retirement age assumed for employees who participate in CalSTRS is age 55. The earliest retirement age assumed for employees who participate in CalPERS is age 50.

Participation Rates: 85% of future active employees are assumed to elect retiree health coverage at retirement. Approximately 70% are assumed to elect the Kaiser HMO 10 Plan, 25% the Anthem Blue Cross Select HMO Network and 5% the Anthem Blue Cross PPO.

Spouse Coverage: 15% of future retirees electing coverage are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as retiree.

Average Claim Costs: The valuation was based on the premiums and funding rates furnished by the County Office. These costs include medical and prescription drug for both active and retired employees. a claim cost curve was developed using an assumption for aging. This results in an expected claim cost at every age. The average annual pre-65 costs (including both employer and employee portions) used in the valuation are provided the following table:

Expected Cost	Expected Premium
$9,575	$6,200

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	Trend
2016	7.0%
2017	6.5%
2018	6.0%
2019	5.5%
2020+	5.0%

Future Increases on County Office's Maximum: No future increases are assumed in the current maximum.

Actuarial Cost Method: The actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the County Office were included in the valuation.

Actuarial Value of Assets: Any assets of the Plan will be valued on a market value basis.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 1997 through June 30, 2011 which was completed and adopted by the CalPERS Board in April 2014.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected future real rates of return by the target asset allocation percentage and by adding expected inflation**.** Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 (see the discussion of the Plan's investment policy) is dependent on the funding strategy of a participating employer and which investment allocation strategy is selected. For employers fully funding their annual required contribution, as defined by GASB 45, the following published long-term expected rate of return are summarized in the following table:

CERBT Strategy	Long Term Expected Real Rate of Return
Strategy 1	7.28%
Strategy 2	6.73%
Strategy 3	6.12%

Discount rate

The Discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the Discount Rate

The following presents the net OPEB liability of the County Office, as well as what the County Office's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 10,509,448	$ 8,528,542	$ 6,719,910

Sensitivity of the net OPEB liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the County Office, as well as what the County Office's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5%HMO/5.50%PPO decreasing to 4%HMO/4%PPO) or 1-percentage point higher (7%HMO/7.50%PPO decreasing to 6%HMO/6%PPO) than the current healthcare cost trend rates:

	1% Decrease 5.00%/5.50% decreasing to 4.00%	Healtchare Cost Trend Rates 6.00%/6.50% decreasing to 5.00%	1% Increase 7.00%/7.50% Increasing to 6.00%
Net OPEB Liability	$ 6,064,576	$ 8,528,542	$ 11,369,147

S. Deferred Outflows of Resources

As of June 30, 2018 deferred outflows of resources consisted of:

	Beginning Balance	Current Year Increases	Current Year Amortization	Ending Balance
Governmental Activities				
Pension Related	$ 34,397,517	$ 50,202,169	$ 26,386,292	$ 58,213,394
OPEB Related	1,544,717	11,655,463	1,544,717	11,655,463
Total Governmental Activities	35,942,234	61,857,632	27,931,009	69,868,857
Private Purpose Trusts				
Pension Related	1,571,523	1,534,573	970,483	2,135,613
OPEB Related	40,078	159,038	49,957	149,159
Total Private Purpose Trusts	1,611,600	1,693,611	1,020,440	2,284,771
Total Deferred Outflows	$ 37,553,834	$ 63,551,243	$ 28,951,449	$ 72,153,628

Deferred Outflows of Resources will be amortized as follows:

Governmental Activities			
Year Ended June 30,	Pension Related	OPEB Related	Total
2019	$ 27,433,693	$ 11,655,463	$ 39,089,156
2020	12,919,940	-	12,919,940
2021	10,722,080	-	10,722,080
2022	7,137,681	-	7,137,681
Total	$ 58,213,394	$ 11,655,463	$ 69,868,857

Private Purpose Trusts			
Year Ended June 30,	Pension Related	OPEB Related	Total
2019	$ 989,552	$ 119,522	$ 1,109,074
2020	527,573	9,879	537,452
2021	403,974	9,879	413,853
2022	214,514	9,879	224,393
Total	$ 2,135,613	$ 149,159	$ 2,284,772

T. Deferred Inflows of Resources

As of June 30, 2018 deferred inflows of resources consisted of:

	Beginning Balance	Current Year Increases	Current Year Amortization	Ending Balance
Governmental Activities				
Pension Related	$ 13,668,949	$ 17,094,597	$ 9,071,096	$ 21,692,450
OPEB Related	-	307,494	61,499	245,995
Total Governmental Activities	13,668,949	17,402,091	9,132,595	21,938,445
Private Purpose Trusts				
Pension Related	893,504	502,953	455,985	940,472
OPEB Related	-	3,609	722	2,887
Total Private Purpose Trusts	893,504	506,562	456,707	943,359
Total Deferred Inflows	$ 14,562,453	$ 17,908,653	$ 9,589,302	$ 22,881,804

Deferred Inflows of Resources will be amortized as follows:

Governmental Activities			
Year Ended June 30,	Pension Related	OPEB Related	Total
2019	$ 9,071,098	$ 61,499	$ 9,132,597
2020	5,639,098	61,499	5,700,597
2021	3,563,333	61,499	3,624,832
2022	3,418,921	61,499	3,480,420
Total	$ 21,692,450	$ 245,996	$ 21,938,446

Private Purpose Trusts			
Year Ended June 30,	Pension Related	OPEB Related	Total
2019	$ 455,989	$ 722	$ 456,711
2020	246,745	722	247,467
2021	137,152	722	137,874
2022	100,586	721	101,307
Total	$ 940,472	$ 2,887	$ 943,359

U. Adjustment to Beginning Balance

During the fiscal year ended June 30, 2018, the County Office implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of net OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. The result of applying the changes in accounting policy is an adjustment to beginning net position on the government wide financial statements, the self-insurance fund, and the private purpose trust funds.

A summary of adjustments to beginning balance are as follows:

	Government Wide Financial Statements	Self Insurance Fund	Private Purpose Trusts
Beginning Net Position - Originally Stated	$ 127,380,970	$ (3,710,257)	$ 72,806,353
Adjustments for Accounting Policy Change:			
Net OPEB Liability	(8,470,969)	(8,470,969)	(219,586)
Deferred Outflows of Resources - OPEB Related	1,544,717	1,544,717	40,078
Total Adjustments	(6,926,252)	(6,926,252)	(179,508)
Beginning Net Position - As Restated	$ 120,454,718	$ (10,636,509)	$ 72,626,845

V. Commitments and Contingencies

Litigation

The County Office is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

W. Contractual Labor Agreements

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

1. California Teachers Association (CTA)-representative for teachers of the County Office. The contractual agreement with the CTA expires on June 30, 2017.

2. California School Employees Association (CSEA)-representative for the office-technical and business services employees of the County Office. The contractual agreement with CSEA expires on June 30, 2018.

X. Subsequent Events

Implementation of New Accounting Guidance

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

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The County Office does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

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

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

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

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

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SAN DIEGO COUNTY OFFICE OF EDUCATION

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 34,697,863	$ 34,697,863	$ 34,697,863	$ -
Education Protection Account Funds	320,000	310,342	310,342	-
Local Sources	71,324,814	77,956,850	77,956,851	1
Federal Revenue	24,151,316	28,284,390	24,795,650	(3,488,740)
Other State Revenue	29,972,654	64,061,890	60,612,680	(3,449,210)
Other Local Revenue	66,683,984	54,439,749	49,475,116	(4,964,633)
Total Revenues	227,150,631	259,751,084	247,848,502	(11,902,582)
Expenditures:				
Current:				
Certificated Salaries	46,048,519	48,256,236	45,009,924	3,246,312
Classified Salaries	48,326,461	51,299,338	48,369,306	2,930,032
Employee Benefits	45,012,711	45,978,191	40,957,272	5,020,919
Books And Supplies	5,023,289	5,322,458	3,029,878	2,292,580
Services And Other Operating Expenditures	68,471,356	114,331,020	76,252,070	38,078,950
Other Outgo	6,746,684	8,434,437	8,225,313	209,124
Direct Support/Indirect Costs	(254,284)	1,985,734	(223,672)	2,209,406
Capital Outlay	1,997,537	10,341,227	8,193,577	2,147,650
Debt Service:				
Principal	-	47,278	47,275	3
Interest	-	2,749	2,748	1
Total Expenditures	221,372,273	285,998,668	229,863,691	56,134,977
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,778,358	(26,247,584)	17,984,811	44,232,395
Other Financing Sources (Uses):				
Transfers In	269,307	269,308	269,308	-
Transfers Out	-	(15,144,173)	(15,144,173)	-
Other Sources	-	746,288	123,989	(622,299)
Total Other Financing Sources (Uses)	269,307	(14,128,577)	(14,750,876)	(622,299)
Net Change in Fund Balance	6,047,665	(40,376,161)	3,233,935	43,610,096
Fund Balance, July 1	142,423,916	142,423,916	142,423,916	-
Fund Balance, June 30	$ 148,471,581	$ 102,047,755	$ 145,657,851	$ 43,610,096

SAN DIEGO COUNTY OFFICE OF EDUCATION

EXHIBIT B-2

SPECIAL EDUCATION PASS-THROUGH FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Federal Revenue	$ 60,277,106	$ 64,480,383	$ 61,665,976	$ (2,814,407)
Other State Revenue	158,173,694	156,443,147	156,422,682	(20,465)
Total Revenues	218,450,800	220,923,530	218,088,658	(2,834,872)
Expenditures:				
Other Outgo	218,450,800	220,923,530	218,088,658	2,834,872
Total Expenditures	218,450,800	220,923,530	218,088,658	2,834,872
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	$ -	$ -	$ -	$ -

SAN DIEGO COUNTY OFFICE OF EDUCATION

EXHIBIT B-11

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
SAN DIEGO COUNTY OFFICE OF EDUCATION OPEB PLAN
LAST TEN FISCAL YEARS*

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2018	7.2%
2017	10.0%
2016	1.6%
2015	N/A
2014	N/A
2013	N/A
2012	N/A
2011	N/A
2010	N/A
2009	N/A

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

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

EXHIBIT B-3

SAN DIEGO COUNTY OFFICE OF EDUCATION

SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
County Office's proportion of the net pension liability (asset)	0.0807%	0.0800%	0.0811%	0.0871%	N/A	N/A	N/A	N/A	N/A	N/A
County Office's proportionate share of the net pension liability (asset)	$ 74,632,484	$ 64,731,851	$ 54,601,404	$ 50,873,537	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
State's proportionate share of the net pension liability (asset) associated with the County Office	44,319,721	41,734,701	36,422,236	31,906,508	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 118,952,205	$ 106,466,552	$ 91,023,640	$ 82,780,045	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's covered-employee payroll	$ 42,669,340	$ 39,763,365	$ 37,478,973	$ 38,575,721	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 was the first year of implementation, no years previous to implementation are being presented in this schedule.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-4

SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE CONTRIBUTIONS
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 6,252,117	$ 5,367,803	$ 4,266,609	$ 3,328,133	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the contractually required contribution	(6,252,117)	(5,367,803)	(4,266,609)	(3,328,133)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's covered-employee payroll	$ 43,327,215	$ 42,669,340	$ 39,763,365	$ 37,478,973	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 was the first year of implementation, no years previous to implementation are being presented in this schedule.

See Accompanying Notes to Required Supplementary Information

SAN DIEGO COUNTY OFFICE OF EDUCATION

EXHIBIT B-5

SCHEDULE OF CHANGES IN THE COUNTY OFFICE'S
NET PENSION LIABILITY AND RELATED RATIOS
CALPERS - SDCOE MISCELLANEOUS PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability:										
Service cost	$ 8,361,462	$ 6,924,369	$ 6,205,483	$ 6,537,055	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Interest	22,030,396	20,840,038	19,446,404	18,550,327	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	811,007	3,305,561	(3,511,467)	-	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	18,886,739	-	(4,884,842)	-	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(12,849,287)	(12,114,878)	(10,083,980)	(9,239,275)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	37,240,317	18,955,090	7,171,598	15,848,107	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - beginning	290,663,590	271,708,500	264,536,902	248,688,795	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - ending (a)	$ 327,903,907	$ 290,663,590	$ 271,708,500	$ 264,536,902	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Plan fiduciary net position:										
Contributions - employer	$ 8,707,555	$ 7,591,289	$ 6,237,980	$ 5,640,252	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions - employee	3,340,738	3,189,961	2,825,329	2,592,242	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	24,163,836	1,197,862	4,873,114	31,860,716	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	(320,910)	(132,630)	(244,919)	-	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(12,849,287)	(12,114,878)	(10,083,980)	(9,239,275)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	23,041,932	(268,396)	3,607,524	30,853,935	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	217,354,695	217,623,091	214,015,567	183,161,632	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	$ 240,396,627	$ 217,354,695	$ 217,623,091	$ 214,015,567	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's net pension liability - ending (a) - (b)	$ 87,507,280	$ 73,308,895	$ 54,085,409	$ 50,521,335	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.78%	80.09%	80.90%	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	$ 47,246,635	$ 43,064,675	$ 39,069,966	$ 39,048,179	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's net pension liability as a percentage of covered-employee payroll	185.21%	170.23%	138.43%	129.38%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

Each fiscal year is presented based on measurement period from one year prior.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-6

SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE CONTRIBUTIONS
CALPERS - SDCOE MISCELLANEOUS PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 8,723,608	$ 8,707,555	$ 7,591,289	$ 6,237,980	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the actuarially determined contribution	(8,723,608)	(8,707,555)	(7,591,289)	(6,237,980)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Covered-employee payroll	$ 46,456,537	$ 47,246,635	$ 43,058,927	$ 39,060,613	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	18.778%	18.430%	17.630%	15.970%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplemetnary Information

EXHIBIT B-7

SAN DIEGO COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHANGES IN THE COUNTY OFFICE'S
NET OPEB LIABILITY AND RELATED RATIOS
SDCOE - OPEB TRUST
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability:										
Service cost	$ 1,232,869	$ 1,152,214	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Interest	1,809,539	1,734,577	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(2,208,296)	(1,584,796)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	834,112	1,301,995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	25,721,843	24,419,848	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending (a)	$ 26,555,955	$ 25,721,843	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Plan fiduciary net position:										
Contributions - employer	$ 11,208,296	$ 1,584,795	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions - employee	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	746,595	792,406	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(2,208,296)	(1,584,795)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	(6,223)	(4,022)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	9,740,372	788,384	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	8,287,041	7,498,657	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	$ 18,027,413	$ 8,287,041	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's net pension liability - ending (a) - (b)	$ 8,528,542	$ 17,434,802	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Plan fiduciary net position as a percentage of the total pension liability	67.88%	32.22%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	$ 88,940,000	$ 88,940,000	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's net pension liability as a percentage of covered-employee payroll	9.59%	19.60%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-8

SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE CONTRIBUTIONS
SDCOE - OPEB TRUST
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 2,208,296	$ 3,216,583	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the actuarially determined contribution	(11,208,296)	(1,584,795)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ (9,000,000)	$ 1,631,788	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Covered-employee payroll	$ 88,940,000	$ 88,940,000	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	12.60%	1.78%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes To Required Supplementary Information.

EXHIBIT B-9

SAN DIEGO COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHANGES IN THE COUNTY OFFICE'S
NET OPEB LIABILITY AND RELATED RATIOS
SDCOE - RETIREE HEALTHCARE PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	$ 1,152,214	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Interest	1,734,577	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(1,584,796)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	1,301,995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	24,419,848	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending (a)	$ 25,721,843	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Plan fiduciary net position:										
Contributions - employer	$ 1,584,795	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions - employee	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	792,406	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(1,584,795)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	(4,022)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	788,384	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	7,498,657	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	$ 8,287,041	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's net OPEB liability - ending (a) - (b)	$ 17,434,802	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Plan fiduciary net position as a percentage of the total OPEB liability	32.22%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	$ 88,940,000	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
County Office's net OPEB liability as a percentage of covered-employee payroll	19.60%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-10

SAN DIEGO COUNTY OFFICE OF EDUCATION

SCHEDULE OF COUNTY OFFICE CONTRIBUTIONS
SDCOE - RETIREE HEALTHCARE PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 2,208,296	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the actuarially determined contribution	(11,208,296)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ (9,000,000)	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Covered-employee payroll	$ 88,940,000	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	12.60%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the County Office's Special Reserve Fund for Postemployment Benefits (Fund 20) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	$	145,901,893
Less Fund 20 Fund Balance		(244,042)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$	145,657,851

General Fund - Fund Financial Statements Net Change in Fund Balance	$	3,218,552
Change in Fund Balance attributed to Fund 20		15,383
General Fund - Budgetary Comparison Schedule Change in Fund Balance	$	3,233,935

Excess of Expenditures Over Appropriations

As of June 30, 2018, there were no expenditures which exceeded appropriations.

Schedule of County Office's Proportionate Share - California State Teachers' Retirement System

1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of County Office's Contributions - California State Teachers' Retirement System

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

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

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increases	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

<u>Schedule of County Office's Proportionate Share - California Public Employees Retirement System</u>

1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%.

<u>Schedule of County Office's Contributions - California Public Employees' Retirement System</u>

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

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

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

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

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

1) Benefit Changes: In 2018 there were no changes to benefits.

2) Changes in Assumptions: In 2018 there were no changes in assumptions.

3) The following are the discount rates used for each period:

Year	Discount Rate
2017	7.00%
2018	7.00%

Schedule of County Office's Contributions to OPEB Plan

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate:

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

Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	$ 9,593,228	$ 35,717,355	$ 45,310,583
Accounts Receivable	133,351	156,429	289,780
Due from Other Funds	1,069	5,315,156	5,316,225
Prepaid Expenditures	7,450	-	7,450
Total Assets	9,735,098	41,188,940	50,924,038
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 1,101,829	$ 41,645	$ 1,143,474
Due to Other Funds	66,513	20,944	87,457
Unearned Revenue	674,526	-	674,526
Total Liabilities	1,842,868	62,589	1,905,457
Fund Balance:			
Nonspendable Fund Balances:			
Prepaid Items	7,450	-	7,450
Restricted Fund Balances	104,415	18,379,204	18,483,619
Committed Fund Balances	7,779,729	-	7,779,729
Assigned Fund Balances	636	22,747,147	22,747,783
Total Fund Balance	7,892,230	41,126,351	49,018,581
Total Liabilities and Fund Balances	$ 9,735,098	$ 41,188,940	$ 50,924,038

SAN DIEGO COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
LCFF Sources:			
Local Sources	$ 1,225,000	$ -	$ 1,225,000
Federal Revenue	767,796	-	767,796
Other State Revenue	4,653,693	-	4,653,693
Other Local Revenue	190,336	3,809,596	3,999,932
Total Revenues	6,836,825	3,809,596	10,646,421
Expenditures:			
Current:			
Instruction - Related Services	4,868,910	-	4,868,910
General Administration	223,672	-	223,672
Plant Services	55,359	484,104	539,463
Other Outgo	329,373	-	329,373
Capital Outlay	2,045,858	796,016	2,841,874
Debt Service:			
Principal	-	138,059	138,059
Interest	-	15,600	15,600
Total Expenditures	7,523,172	1,433,779	8,956,951
Excess (Deficiency) of Revenues Over (Under) Expenditures	(686,347)	2,375,817	1,689,470
Other Financing Sources (Uses):			
Transfers In	-	6,144,173	6,144,173
Transfers Out	-	(250,000)	(250,000)
Other Sources	-	193,623	193,623
Total Other Financing Sources (Uses)	-	6,087,796	6,087,796
Net Change in Fund Balance	(686,347)	8,463,613	7,777,266
Fund Balance, July 1	8,578,577	32,662,738	41,241,315
Fund Balance, June 30	$ 7,892,230	$ 41,126,351	$ 49,018,581

SAN DIEGO COUNTY OFFICE OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	$ 1,090,444	$ 8,480,848	$ 21,936	$ 9,593,228
Accounts Receivable	98,682	34,261	408	133,351
Due from Other Funds	1,069	-	-	1,069
Prepaid Expenditures	7,450	-	-	7,450
Total Assets	1,197,645	8,515,109	22,344	9,735,098
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 344,741	$ 735,380	$ 21,708	$ 1,101,829
Due to Other Funds	66,513	-	-	66,513
Unearned Revenue	674,526	-	-	674,526
Total Liabilities	1,085,780	735,380	21,708	1,842,868
Fund Balance:				
Nonspendable Fund Balances:				
Prepaid Items	7,450	-	-	7,450
Restricted Fund Balances	104,415	-	-	104,415
Committed Fund Balances	-	7,779,729	-	7,779,729
Assigned Fund Balances	-	-	636	636
Total Fund Balance	111,865	7,779,729	636	7,892,230
Total Liabilities and Fund Balances	$ 1,197,645	$ 8,515,109	$ 22,344	$ 9,735,098

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
LCFF Sources:				
Local Sources	$ -	$ 1,225,000	$ -	$ 1,225,000
Federal Revenue	438,889	-	328,907	767,796
Other State Revenue	4,653,693	-	-	4,653,693
Other Local Revenue	74,420	115,278	638	190,336
Total Revenues	5,167,002	1,340,278	329,545	6,836,825
Expenditures:				
Current:				
Instruction - Related Services	4,868,910	-	-	4,868,910
General Administration	223,672	-	-	223,672
Plant Services	-	55,359	-	55,359
Other Outgo	-	-	329,373	329,373
Capital Outlay	-	2,045,858	-	2,045,858
Total Expenditures	5,092,582	2,101,217	329,373	7,523,172
Excess (Deficiency) of Revenues Over (Under) Expenditures	74,420	(760,939)	172	(686,347)
Net Change in Fund Balance	74,420	(760,939)	172	(686,347)
Fund Balance, July 1	37,445	8,540,668	464	8,578,577
Fund Balance, June 30	$ 111,865	$ 7,779,729	$ 636	$ 7,892,230

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	$ 2,593,596	$ 11,936,495
Accounts Receivable	11,872	47,989
Due from Other Funds	-	-
Total Assets	2,605,468	11,984,484
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ -	$ -
Due to Other Funds	-	20,944
Total Liabilities	-	20,944
Fund Balance:		
Restricted Fund Balances	-	11,963,540
Assigned Fund Balances	2,605,468	-
Total Fund Balance	2,605,468	11,963,540
Total Liabilities and Fund Balances	$ 2,605,468	$ 11,984,484

County School Facilities Fund	Capital Outlay Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
$ 31,786	$ 21,155,478	$ 35,717,355
145	96,423	156,429
-	5,315,156	5,315,156
31,931	26,567,057	41,188,940
$ -	$ 41,645	$ 41,645
-	-	20,944
-	41,645	62,589
31,931	6,383,733	18,379,204
-	20,141,679	22,747,147
31,931	26,525,412	41,126,351
$ 31,931	$ 26,567,057	$ 41,188,940

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Capital Facilities Fund
Revenues:		
Other Local Revenue	$ 38,987	$ 3,454,385
Total Revenues	38,987	3,454,385
Expenditures:		
Current:		
Plant Services	-	-
Capital Outlay	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,987	3,454,385
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	(250,000)
Other Sources	-	-
Total Other Financing Sources (Uses)	-	(250,000)
Net Change in Fund Balance	38,987	3,204,385
Fund Balance, July 1	2,566,481	8,759,155
Fund Balance, June 30	$ 2,605,468	$ 11,963,540

	County School Facilities Fund	Capital Outlay Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
	$ 478	$ 315,746	$ 3,809,596
	478	315,746	3,809,596
	-	484,104	484,104
	-	796,016	796,016
	-	138,059	138,059
	-	15,600	15,600
	-	1,433,779	1,433,779
	478	(1,118,033)	2,375,817
	-	6,144,173	6,144,173
	-	-	(250,000)
	-	193,623	193,623
	-	6,337,796	6,087,796
	478	5,219,763	8,463,613
	31,453	21,305,649	32,662,738
	$ 31,931	$ 26,525,412	$ 41,126,351

SAN DIEGO COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2018

	Employee Benefits Self-Insurance Trust Fund	Workers' Compensation Trust Fund	Property & Liability Self-Insurance Trust Fund
ASSETS:			
Cash in County Treasury	$ 29,027,955	$ 80,340,543	$ 21,704,940
Cash on Hand and in Banks	100,000	500,000	150,000
Cash with a Fiscal Agent/Trustee	-	-	-
Accounts Receivable	1,954,620	661,627	254,315
Prepaid Expenditures/Expenses	-	-	30,000
Total Assets	31,082,575	81,502,170	22,139,255
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflows of Resources - OPEB Related	68,447	14,310	63,811
Deferred Outflows of Resources - Pension Related	862,762	517,052	740,801
Total Outflows of Resources	$ 931,209	$ 531,362	$ 804,612
LIABILITIES:			
Current Liabilities:			
Accounts Payable	$ 1,504,658	$ 476,497	$ 266,236
Unearned Revenue	2,447,586	-	-
Liability for Underground Storage Tanks	-	-	70,000
Unpaid Self-Insurance Claim Liabilities	3,798,038	43,363,938	12,921,510
Total Current Liabilities	7,750,282	43,840,435	13,257,746
Long-Term Liabilities:			
Compensated Absences Payable	189,304	165,884	57,699
Net OPEB Obligation	207,287	101,767	174,750
Net Pension Liability	1,808,875	1,071,677	1,541,473
Total Long Term Liabilities	2,205,466	1,339,328	1,773,922
Total Liabilities	9,955,748	45,179,763	15,031,668
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources - OPEB Related	-	2,887	-
Deferred Inflows of Resources - Pension Related	409,063	199,184	320,561
Total Deferred Inflows of Resources	409,063	202,071	320,561
NET POSITION:			
Held in Trust	21,648,973	36,651,698	7,591,638
Total Net Position	$ 21,648,973	$ 36,651,698	$ 7,591,638

Miscellaneous Property Self-Insurance Trust Fund	Joint Facilities Authority Trust Fund	Joint Public Energy Authority Trust Fund	Total Private-Purpose Trust Funds (See Exhibit A-10)
$ 1,541,762	$ -	$ -	$ 132,615,200
-	-	-	750,000
-	11,980,778	1,792,184	13,772,962
7,032	-	-	2,877,594
-	-	-	30,000
1,548,794	11,980,778	1,792,184	150,045,756
2,591	-	-	149,159
14,998	-	-	2,135,613
$ 17,589	$ -	$ -	$ 2,284,772
$ 3,614	$ -	$ -	$ 2,251,005
-	-	-	2,447,586
-	-	-	70,000
34,475	-	-	60,117,961
38,089	-	-	64,886,552
987	-	-	413,874
4,465	-	-	488,269
29,045	-	-	4,451,070
34,497	-	-	5,353,213
72,586	-	-	70,239,765
-	-	-	2,887
11,664	-	-	940,472
11,664	-	-	943,359
1,482,133	11,980,778	1,792,184	81,147,404
$ 1,482,133	$ 11,980,778	$ 1,792,184	$ 81,147,404

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ALL PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Employee Benefits Self-Insurance Trust Fund	Workers' Compensation Trust Fund	Property & Liability Self-Insurance Trust Fund
Additions:			
Investment Income	$ 446,674	$ 1,143,373	$ 375,257
Participant Fees	42,027,355	29,611,422	14,822,747
Commissions and Refunds	1,207,763	-	-
Total Additions	43,681,792	30,754,795	15,198,004
Deductions:			
Claims Paid, Net of Recoveries	35,466,405	17,094,208	7,949,554
Insurance Premiums	7,437,270	11,184,921	6,776,528
Administrative Expenses	4,077,227	988,791	1,714,091
Construction Projects	-	-	-
Other Expenses	141,568	-	-
Total Deductions	47,122,470	29,267,920	16,440,173
Change in Net Position	(3,440,678)	1,486,875	(1,242,169)
Net Position-Beginning of the Year	25,089,650	35,164,823	8,833,807
Net Position-End of the Year	$ 21,648,972	$ 36,651,698	$ 7,591,638

Miscellaneous Property Trust Fund	Joint Facilities Authority Trust Fund	Joint Energy Authority Trust Fund	Total Private-Purpose Trust Funds (See Exhibit A-11)
$ 23,343	$ 6,143	$ 5,028	$ 1,999,818
636,716	19,902,150	8,724,977	115,725,367
-	-	-	1,207,763
660,059	19,908,293	8,730,005	118,932,948
61,519	-	-	60,571,686
409,963	-	-	25,808,682
30,817	364,225	485,907	7,661,058
-	9,684,870	6,544,325	16,229,195
-	-	-	141,568
502,299	10,049,095	7,030,232	110,412,189
157,760	9,859,198	1,699,773	8,520,759
1,324,373	2,121,580	92,411	72,626,644
$ 1,482,133	$ 11,980,778	$ 1,792,184	$ 81,147,403

SAN DIEGO COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	Warrant/ Pass-through Fund	Student Body Fund	Total Agency Funds (See Exhibit A-10)
ASSETS:			
Cash in County Treasury	$ 42,224,529	$ -	$ 42,224,529
Cash on Hand and in Banks	-	3,275	3,275
Total Assets	42,224,529	3,275	42,227,804
LIABILITIES:			
Due to Student Groups	$ 42,224,529	$ 3,275	$ 42,227,804
Total Liabilities	42,224,529	3,275	42,227,804
NET POSITION:			
Total Net Position	$ -	$ -	$ -

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

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

Governing Board

Name	Office	Term and Term Expiration
Guadalupe Gonzalez	President	Two Year Term Expires January 2021
Paulette Donnellon	Vice President	Four Year Term Expires January 2021
Mark Powell	Member	Four Year Term Expires January 2021
Alicia Munoz	Member	Four Year Term Expires January 2019
Rick Shea	Member	Four Year Term Expires January 2019

Administration

Paul Gothold, Ed.D.
Superintendent

Michael Simonson
Assistant Superintendent
Business Services Division

Pamela Gilles
Executive Director
Internal Business Services

SAN DIEGO COUNTY OFFICE OF EDUCATION

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report Certificate #62727C40		Annual Report Certificate #8E8CBABE	
	Original	Revised	Original	Revised
Elementary				
Juvenile Halls, Homes and Camp	21.01	N/A	25.57	N/A
Probation Referred, On Probation or Parole, Expelled Pursuant to EC 48915	244.73	N/A	253.10	N/A
Elementary Totals	265.74	N/A	278.67	N/A
High School				
Juvenile Halls, Homes and Camp	586.38	N/A	578.94	N/A
Probation Referred, On Probation or Parole, Expelled Pursuant to EC 48915	687.82	N/A	694.10	N/A
High School Totals	1,274.20	N/A	1,273.04	N/A
ADA Totals	1,539.94	N/A	1,551.71	N/A

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

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

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

Grade Level	Ed. Code 46207 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	N/A	N/A	N/A	N/A	N/A
Grade 1	N/A	N/A	N/A	N/A	N/A
Grade 2	N/A	N/A	N/A	N/A	N/A
Grade 3	N/A	N/A	N/A	N/A	N/A
Grade 4	N/A	N/A	N/A	N/A	N/A
Grade 5	N/A	N/A	N/A	N/A	N/A
Grade 6	N/A	N/A	N/A	N/A	N/A
Grade 7	N/A	N/A	N/A	N/A	N/A
Grade 8	N/A	N/A	N/A	N/A	N/A
Grade 9	N/A	N/A	N/A	N/A	N/A
Grade 10	N/A	N/A	N/A	N/A	N/A
Grade 11	N/A	N/A	N/A	N/A	N/A
Grade 12	N/A	N/A	N/A	N/A	N/A

N/A - Not applicable for County Offices of Education in the 2017-18 Fiscal Year.

This schedule presents information on the amount of instruction time offered by the County Office and whether the County Office complied with the provisions of Education Code Sections 46200 through 46207. The County Office neither met nor exceeded its target funding.

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	$ 265,151,474	$ 248,241,799	$ 249,775,699	$ 250,326,091
Expenditures, other uses and transfers out	265,816,928	245,007,864	228,186,062	227,316,465
Change in fund balance (deficit)	(665,454)	3,233,935	21,589,637	23,009,626
Ending fund balance	$ 144,992,397	$ 145,657,851	$ 142,423,916	$ 120,834,279
Available reserves (See Note 2)	$ 51,983,861	$ 55,197,983	$ 32,693,972	$ 17,192,035
Available reserves as a percentage of total outgo (See Note 3)	19.6%	22.8%	14.5%	7.7%
Total long-term debt	$ 3,555,103	$ 5,643,860	$ 288,213	$ 357,482
Average daily attendance at P-2	1,550	1,540	1,520	1,714

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

The fund balance of the general fund has increased by $24,823,572 (20.54%) over the past two years. The fiscal year 2018-19 budget projects a decrease of $665,454 (0.46%). For a county office of this size, the State recommends available reserves of at least 2% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by $5,286,378 over the past two years.

Average daily attendance has decreased by 174 over the past two years.

Notes:

1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
3 On behalf payments of $3,129,723, $2,631,772, and $2,675,086, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017 and 2016.
4 For financial reporting purposes in the fund financial statements, the Special Reserve Fund for Post Employment Benefits (Fund 20) has been combined as part of the General Fund to be in compliance with GASB Statement No. 54. This report is a reflection of activity in the General Fund only.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for OPEB (Fund 20)
June 30, 2018, annual financial and budget report fund balances	$ 145,657,851	$ 244,042
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Incorporation of fund in accordance with GASB 54	244,042	(244,042)
Net adjustments and reclassifications	244,042	(244,042)
June 30, 2018, audited financial statement fund balances	$ 145,901,893	$ -

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

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

Charter Schools	Charter Number	Included In Audit?
Literacy First Charter School	0405	No
Dimensions Collaborative School*	1946	No
Community Montessori*	1947	No
School of Universal Learning - (SOUL)	1872	No
Scholarship Prep Charter School - Oceanside	1883	No
Pacific Springs Charter*	1989	No
Classical Academy Vista*	2016	No
National University Academy Dual Language Institute*	2023	No

*School began operations in the 2018-19 fiscal year.

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CCDF CLUSTER:				
U. S. Department of Health and Human Services				
Passed Through San Diego County Department of Health and Human Services:				
Child Care Development	93.575	519835	$ -	$ 67,368
Total U. S. Department of Health and Human Services			-	67,368
Total CCDF Cluster			-	67,368
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	76,954	99,798
National School Lunch Noncash Commodities	10.555	13396	-	68,457
National School Lunch Program	10.555	13396	218,987	283,994
Total Passed Through State Department of Education			295,941	452,249
Total U. S. Department of Agriculture			295,941	452,249
Total Child Nutrition Cluster			295,941	452,249
FOREST SERVICE SCHOOLS AND ROADS CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
Forest Reserve Funds	10.665	10044	-	328,906
Total U. S. Department of Agriculture			-	328,906
Total Forest Service Schools and Roads Cluster			-	328,906
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Direct Program:				
Medi-Cal	93.778	-	-	19,932
Total U. S. Department of Health and Human Services			-	19,932
Total Medicaid Cluster			-	19,932
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
IDEA Alternate Dispute Resolution	84.027	10019	-	63,371
IDEA Basic Local Assistance	84.027	13379	50,105,117	50,596,171
IDEA Preschool Local	84.027	13682	5,970,617	5,989,119
IDEA Mental Health	84.027	14468	3,487,846	3,521,019
IDEA Preschool	84.173	13430	2,006,469	2,013,897
IDEA Preschool Staff Development	84.173	13431	18,171	18,365
Total Passed Through State Department of Education			61,588,220	62,201,942
Total U. S. Department of Education			61,588,220	62,201,942
Total Special Education (IDEA) Cluster			$ 61,588,220	$ 62,201,942

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
OTHER PROGRAMS:				
U. S. Department of the Interior				
Direct Program:				
Wild Life Reserve Funds	15.663	-	$ -	$ 1,972
Total U. S. Department of the Interior			-	1,972
U. S. Department of Labor				
Direct Program:				
Pathway to Justice Careers	17.270		-	331,804
Total U. S. Department of Labor			-	331,804
U. S. Department of Justice				
Direct Program:				
Second Chance Act	16.812	-	-	119,664
Total U. S. Department of Justice			-	119,664
U. S. Department of Health and Human Services				
Passed Through San Diego County Department of Health and Human Services:				
Child Welfare Services Program	93.645	525896	-	1,425
Foster Care	93.658	525896	-	366,799
Friday Night Live	93.959	521100	-	310,000
Total Passed Through San Diego County Department of Health and Human Services			-	678,224
Passed Through State Department of Education:				
Project Cal-Well	93.243	15289	85,000	659,575
Total U. S. Department of Health and Human Services			85,000	1,337,799
U. S. Department of Education				
Direct Programs:				
Native American Grant	84.299		-	257,525
Migrant Student Information Exchange	84.144	-	-	6,121
Total Direct Programs			-	263,646
Passed Through State Department of Education:				
Title I Basic	84.010	14329	-	1,518,546
Title I Local Delinquent	84.010	14357	-	2,219,565
Migrant Education	84.011	14838	1,113,620	6,978,531
IDEA Early Intervention	84.181	23761	116,966	398,486
Title X McKinney Vento	84.196	14332	-	209,780
21st Century Learning	84.287	14535	10,011,756	10,787,093
Title III	84.365	14967	121,823	273,920
Title II Math & Science	84.366	14512	-	10,521
Title II Supporting Effective Instruction	84.367	14341	-	5,756
Total Passed Through State Department of Education			11,364,165	22,402,198
Total U. S. Department of Education			11,364,165	22,665,844
U. S. Department of Agriculture				
Passed Through State Department of Education:				
Child & Adult Care Food Program	10.558	13666	8,392	8,392
Total U. S. Department of Agriculture			8,392	8,392
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 73,341,718	$ 87,535,872

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of San Diego County Office of Education. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The County Office used an indirect cost rate of 9.49% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The County Office did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the County Office:

Program	CFDA #	Indirect Cost Rate
IDEA - Preschool	84.173	4.35%
IDEA - Preschool Local	84.027	4.44%
IDEA - Mental Health	84.027	9.44%
IDEA - Preschool Staff Development	84.173	4.70%
IDEA - Alternate Dispute Resolution	84.027	4.00%
21st Century	84.287	5.00%
Title III	84.365	2.00%
Child Nutrition Cluster	10.553, 10.555	5.25%

Schoolwide Program

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

Program	CFDA #	Amount Expended
Title I	84.010	$1,518,546

Other Independent Auditor's Reports

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Brian K. Hadley, CPA
Mark Bomediano, CPA

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Kevin A. Sproul, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees
San Diego County Office of Education
San Diego, California

Members of the Board of Trustees:

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 San Diego 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 San Diego County Office of Education's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 17, 2018

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, CPA

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

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

Board of Trustees
San Diego County Office of Education
San Diego, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the San Diego County Office of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the San Diego County Office of Education's major federal programs for the year ended June 30, 2018. San Diego County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Diego County Office of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the San Diego County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the San Diego County Office of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the San Diego County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of the San Diego County Office of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the San Diego County Office of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Diego County Office of Education's internal control over compliance.

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

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 17, 2018

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Kevin A. Sproul, CPA

Independent Auditor's Report on State Compliance

Board of Trustees
San Diego County Office of Education
San Diego, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	Yes
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	N/A
Classroom Teacher Salaries	N/A
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
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	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Opinion on State Compliance

In our opinion, San Diego County Office of Education complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 17, 2018

Findings and Recommendations Section

SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.011	Migrant Education
84.287	21st Century

Dollar threshold used to distinguish between type A and type B programs: $2,639,238

Auditee qualified as low-risk auditee?	X	Yes	____	No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	____	Yes	X	No

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

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

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

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2017-001 (70000) Instructional Materials In our review of the public hearing held by the County Office to determine the sufficiency of textbooks and instructional materials, we noted that the hearing was held at 4:00 PM which is at a time that does not encourage the participation of parents, teachers, members of the community, or bargaining unit leaders. Implement procedures to ensure the public hearing held to determine the sufficiency of instructional materials is held at a time that encourages the participation of parents, teachers, members of the community, and bargaining unit leaders.	Implemented	