

SAN DIEGO COUNTY OFFICE OF EDUCATION

**AUDIT REPORT
JUNE 30, 2020**

**SAN DIEGO COUNTY OFFICE OF EDUCATION
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JUNE 30, 2020**

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FINANCIAL SECTION



Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

INDEPENDENT AUDITORS' REPORT

Governing Board
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, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the San Diego County Office of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego County Office of Education, as of June 30, 2020, 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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Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Diego County Office of Education's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 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 San Diego County Office of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego County Office of Education's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
January 29, 2021

SAN DIEGO COUNTY OFFICE OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

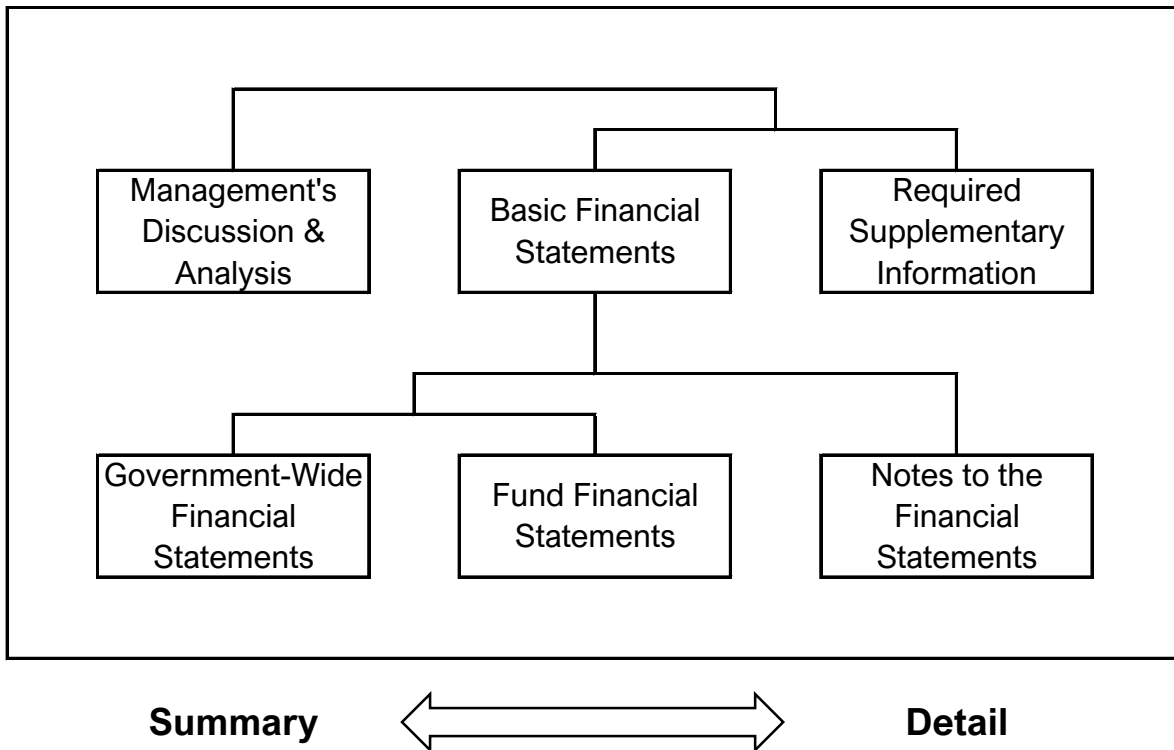
Our discussion and analysis of San Diego County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the County Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The County Office of Education's total net position was \$174,551,598 at June 30, 2020. This was an increase of \$12,640,165 from the prior year.
- ▶ Overall revenues were \$508,791,820 which exceeded expenses of \$496,151,655.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**SAN DIEGO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

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

- ▶ **Fund financial statements** focus on reporting the individual parts of County Office of Education operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office of Education's programs.
 - ▶ **Proprietary Funds** report services for which the County Office of Education charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - ▶ **Fiduciary Funds** report balances for which the County Office of Education is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The County Office of Education's net position was \$174,551,598 at June 30, 2020, as reflected in the table below. Of this amount, \$23,874,082 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2020	2019	Net Change
ASSETS			
Current and other assets	\$ 366,822,394	\$ 340,824,189	\$ 25,998,205
Net OPEB asset	740,271	-	740,271
Capital assets	75,469,460	65,404,793	10,064,667
Total Assets	443,032,125	406,228,982	36,803,143
DEFERRED OUTFLOWS OF RESOURCES	40,770,422	52,233,462	(11,463,040)
LIABILITIES			
Current liabilities	121,431,611	107,266,209	14,165,402
Long-term liabilities	169,788,054	162,602,518	7,185,536
Total Liabilities	291,219,665	269,868,727	21,350,938
DEFERRED INFLOWS OF RESOURCES	18,031,284	26,682,284	(8,651,000)
NET POSITION			
Net investment in capital assets	75,104,009	64,847,222	10,256,787
Restricted	75,573,507	44,301,437	31,272,070
Unrestricted	23,874,082	52,762,774	(28,888,692)
Total Net Position	\$ 174,551,598	\$ 161,911,433	\$ 12,640,165

**SAN DIEGO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2020	2019	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 28,565,590	\$ 26,920,983	\$ 1,644,607
Operating grants and contributions	319,771,652	315,963,594	3,808,058
Capital grants and contributions	661	717	(56)
General revenues			
Property taxes	92,897,988	87,856,873	5,041,115
Unrestricted federal and state aid	39,670,742	40,150,285	(479,543)
Other	27,885,187	20,593,808	7,291,379
Total Revenues	508,791,820	491,486,260	17,305,560
EXPENSES			
Instruction	53,294,158	53,334,279	(40,121)
Instruction-related services	116,477,504	108,751,523	7,725,981
Pupil services	9,126,080	9,259,959	(133,879)
General administration	55,324,248	44,281,290	11,042,958
Plant services	15,371,928	12,250,333	3,121,595
Ancillary and community services	302,684	336,953	(34,269)
Debt service	46,143	30,817	15,326
Other outgo	245,912,817	226,447,217	19,465,600
Depreciation	278,871	420,411	(141,540)
Other	17,222	-	17,222
Total Expenses	496,151,655	455,112,782	41,038,873
Change in net position	12,640,165	36,373,478	(23,733,313)
Net Position - Beginning	161,911,433	125,537,955	36,373,478
Net Position - Ending	\$ 174,551,598	\$ 161,911,433	\$ 12,640,165

The cost of all our governmental activities this year was \$496,151,655 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$92,897,988 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the County Office of Education’s functions. Net cost shows the financial burden that was placed on the County Office of Education’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2020	2019
Instruction	\$ 22,119,427	\$ 24,277,554
Instruction-related services	36,606,787	30,450,416
Pupil services	3,881,961	3,175,140
General administration	50,658,969	39,311,994
Plant services	13,839,514	10,989,789
Ancillary and community services	272,888	192,120
Debt service	46,143	30,817
Transfers to other agencies	20,108,937	3,379,247
Depreciation	278,871	420,411
Other	255	-
Total Expenses	\$ 147,813,752	\$ 112,227,488

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

The financial performance of the County Office of Education as a whole is reflected in its governmental funds as well. As the County Office of Education completed this year, its governmental funds reported a combined fund balance of \$224,047,302, which is more than last year’s ending fund balance of \$209,284,820. The County Office of Education’s County School Service Fund had \$13,412,962 more in operating revenues than expenditures for the year ended June 30, 2020. The County Office of Education’s Special Education Pass-Through Fund had equal amounts in operating revenues and expenditures for the year ended June 30, 2020.

CURRENT YEAR BUDGET 2019-2020

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the County Office of Education’s financial projections and current budget based on State and local financial information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2019-2020 the County Office of Education had invested \$75,469,460 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2020	2019	Net Change
CAPITAL ASSETS			
Land	\$ 3,877,796	\$ 1,877,796	\$ 2,000,000
Construction in progress	596,264	661,282	(65,018)
Land improvements	2,127,699	2,127,699	-
Buildings & improvements	54,121,198	41,802,043	12,319,155
Furniture & equipment	59,773,629	59,279,037	494,592
Accumulated depreciation	(45,027,126)	(40,343,064)	(4,684,062)
Total Capital Assets	\$ 75,469,460	\$ 65,404,793	\$ 10,064,667

Long-Term Liabilities

At year-end, the County Office of Education had \$169,788,054 in long-term liabilities, an increase of 4.42% from last year – as shown in the table below. (More detailed information about the County Office of Education's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2020	2019	Net Change
LONG-TERM LIABILITIES			
Capital leases	\$ 365,451	\$ 557,570	\$ (192,119)
Early retirement incentive	1,414,426	3,273,896	(1,859,470)
Compensated absences	4,092,896	2,920,362	1,172,534
Net OPEB liability*	-	7,017,162	(7,017,162)
Net pension liability	165,538,962	153,881,890	11,657,072
Less: current portion of long-term liabilities	(1,623,681)	(5,048,362)	3,424,681
Total Long-term Liabilities	\$ 169,788,054	\$ 162,602,518	\$ 7,185,536

**The previously recorded Net OPEB liability changed to a Net OPEB asset during the fiscal year. See Note 10 for additional information.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

According to the UCLA Anderson Forecast, the U.S. economy is in a "depression-like crisis" and it will take at least three years before its GDP and unemployment rate return to the levels it saw before the COVID-19 pandemic struck. Between February 2020 and April 2020, California lost 2.56 million nonfarm payroll jobs, a 15% drop that is nearly double the job loss during the Great Recession in 2008 and 2009.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom and the State Legislature provided resources and support beyond the Proposition 98 requirement in 2020–21, giving one-time federal resources and pension rate relief and promising more than the minimum guarantee in 2021–22.

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

Factors related to LCFF that the County Office of Education is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The County Office of Education participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The County Office of Education's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2020. The amount of the liability is material to the financial position of the County Office of Education. In response to the ongoing pandemic, the 2020-21 State Budget reduced employer contribution rates in 2020–21 and 2021–22. This will reduce the CalSTRS employer rate from 18.4% to approximately 16.15% in 2020–21 and from 18.2% to 16.0% in 2021–22. The CalPERS employer contribution rate for the San Diego County Office of Education for 2020–21 will be 24.90% and 2021–22 estimated rate of 25.82%. Despite this reduction in the planned rate increases, the projected increased pension costs to school employers remain a significant fiscal factor.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act provides California K-12 education with \$1.65 billion in Elementary and Secondary School Emergency Relief (ESSER) Funds, \$355 million in Governor's Emergency Education Relief (GEER) Funds, and \$4.4 billion in Coronavirus Relief Funds (CRF). Collectively, GEER Funds, CRF, and \$540 million in state General Fund (GF) contributions are known as Learning Loss Mitigation Funding (LLMF). CARES Act funds will be apportioned in 2020-21, however, ESSER and GEER are to be used on eligible expenditures beginning March 13, 2020 through September 30, 2022, GF is to be used on eligible expenditures beginning March 1, 2020 through June 30, 2021, and CRF is to be used on eligible expenditures beginning March 1, 2020 through December 30, 2020. On December 27, 2020, the President signed the Consolidated Appropriations Act which extended the CRF spending deadline to December 30, 2021.

All of these factors were considered in preparing the County Office of Education's budget for the 2020-21 fiscal year.

CONTACTING THE COUNTY OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the County Office of Education's finances and to show the County Office of Education's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact 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.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash and investments	\$ 243,764,424
Accounts receivable	119,802,486
Investment in JPA	1,509,551
Prepaid expenses	1,745,933
OPEB asset	740,271
Capital assets, not depreciated	4,474,060
Capital assets, net of accumulated depreciation	70,995,400
Total Assets	443,032,125
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	39,759,367
Deferred outflows related to OPEB	1,011,055
Total Deferred Outflows of Resources	40,770,422
LIABILITIES	
Accrued liabilities	114,552,833
Unearned revenue	5,255,097
Long-term liabilities, current portion	1,623,681
Long-term liabilities, non-current portion	169,788,054
Total Liabilities	291,219,665
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	16,779,518
Deferred inflows related to OPEB	1,251,766
Total Deferred Inflows of Resources	18,031,284
NET POSITION	
Net investment in capital assets	75,104,009
Restricted:	
Capital projects	53,389,956
Educational programs	22,183,551
Unrestricted	23,874,082
Total Net Position	\$ 174,551,598

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 53,294,158	\$ 1,668,778	\$ 29,505,292	\$ 661	\$ (22,119,427)
Instruction-related services					
Instructional supervision and administration	106,842,023	14,506,258	64,826,078	-	(27,509,687)
Instructional library, media, and technology	2,046,676	169,778	15,100	-	(1,861,798)
School site administration	7,588,805	76,981	276,522	-	(7,235,302)
Pupil services					
Food services	1,885,019	2,381	298,340	-	(1,584,298)
All other pupil services	7,241,061	262,137	4,681,261	-	(2,297,663)
General administration					
Centralized data processing	25,613,029	16,577	1,204	-	(25,595,248)
All other general administration	29,711,219	779,541	3,867,957	-	(25,063,721)
Plant services	15,371,928	474,015	1,058,399	-	(13,839,514)
Ancillary services	302,229	26,434	3,362	-	(272,433)
Community services	455	-	-	-	(455)
Enterprise activities	17,222	15,818	1,149	-	(255)
Interest on long-term debt	46,143	-	-	-	(46,143)
Other outgo	245,912,817	10,566,892	215,236,988	-	(20,108,937)
Depreciation (unallocated)	278,871	-	-	-	(278,871)
Total Governmental Activities	\$ 496,151,655	\$ 28,565,590	\$ 319,771,652	\$ 661	(147,813,752)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					88,413,390
Property taxes, levied for other specific purposes					4,484,598
Federal and state aid not restricted for specific purposes					39,670,742
Interest and investment earnings					5,232,677
Miscellaneous					22,652,510
Subtotal, General Revenue					160,453,917
CHANGE IN NET POSITION					12,640,165
Net Position - Beginning					161,911,433
Net Position - Ending					\$ 174,551,598

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 170,391,275	\$ 2,014,041	\$ 51,814,840	\$ 224,220,156
Accounts receivable	31,014,239	88,158,093	548,420	119,720,752
Due from other funds	71,114	97,604	11,596,347	11,765,065
Prepaid expenditures	1,745,933	-	-	1,745,933
Total Assets	\$ 203,222,561	\$ 90,269,738	\$ 63,959,607	\$ 357,451,906
LIABILITIES				
Accrued liabilities	\$ 23,957,421	\$ 90,269,738	\$ 313,246	\$ 114,540,405
Due to other funds	13,518,611	-	90,491	13,609,102
Unearned revenue	4,201,309	-	1,053,788	5,255,097
Total Liabilities	41,677,341	90,269,738	1,457,525	133,404,604
FUND BALANCES				
Nonspendable	1,771,573	-	-	1,771,573
Restricted	22,027,594	-	53,545,913	75,573,507
Committed	-	-	8,956,169	8,956,169
Assigned	75,342,706	-	-	75,342,706
Unassigned	62,403,347	-	-	62,403,347
Total Fund Balances	161,545,220	-	62,502,082	224,047,302
Total Liabilities and Fund Balances	\$ 203,222,561	\$ 90,269,738	\$ 63,959,607	\$ 357,451,906

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2020**

Total Fund Balance - Governmental Funds \$ 224,047,302

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 120,496,586	
Accumulated depreciation	<u>(45,027,126)</u>	75,469,460

Investment in JPA:

In governmental funds the investment in JPA for the ECREC 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 as:

1,509,551

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 unmaturing interest owing at the end of the period was:

(12,428)

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	\$ 365,451	
Early retirement incentive	1,414,426	
Compensated absences	4,092,896	
Net pension liability	<u>165,538,962</u>	(171,411,735)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 39,759,367	
Deferred inflows of resources related to pensions	<u>(16,779,518)</u>	22,979,849

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:

21,969,599

Total Net Position - Governmental Activities

\$ 174,551,598

**SAN DIEGO COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 125,704,072	\$ -	\$ 1,225,000	\$ 126,929,072
Federal sources	21,885,486	62,474,024	2,185,565	86,545,075
Other state sources	63,200,572	166,335,505	3,987,256	233,523,333
Other local sources	60,962,648	-	5,405,868	66,368,516
Total Revenues	271,752,778	228,809,529	12,803,689	513,365,996
EXPENDITURES				
Current				
Instruction	55,255,782	-	-	55,255,782
Instruction-related services				
Instructional supervision and administration	99,292,020	-	5,713,307	105,005,327
Instructional library, media, and technology	1,792,965	-	-	1,792,965
School site administration	6,927,251	-	-	6,927,251
Pupil services				
Food services	1,658,453	-	23,697	1,682,150
All other pupil services	7,052,779	-	-	7,052,779
General administration				
Centralized data processing	20,546,758	-	-	20,546,758
All other general administration	26,195,308	-	284,852	26,480,160
Plant services	11,268,443	-	1,557,068	12,825,511
Facilities acquisition and maintenance	11,623,352	-	2,944,982	14,568,334
Ancillary services	302,229	-	-	302,229
Enterprise activities	17,222	-	-	17,222
Transfers to other agencies	16,951,860	228,809,529	151,428	245,912,817
Debt service				
Principal	63,186	-	216,822	280,008
Interest and other	15,097	-	27,013	42,110
Total Expenditures	258,962,705	228,809,529	10,919,169	498,691,403
Excess (Deficiency) of Revenues Over Expenditures	12,790,073	-	1,884,520	14,674,593
Other Financing Sources (Uses)				
Transfers in	535,000	-	-	535,000
Other sources	87,889	-	-	87,889
Transfers out	-	-	(535,000)	(535,000)
Net Financing Sources (Uses)	622,889	-	(535,000)	87,889
NET CHANGE IN FUND BALANCE	13,412,962	-	1,349,520	14,762,482
Fund Balance - Beginning	148,132,258	-	61,152,562	209,284,820
Fund Balance - Ending	\$ 161,545,220	\$ -	\$ 62,502,082	\$ 224,047,302

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ 14,762,482

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:	\$	14,763,601	
Depreciation expense:		(4,698,934)	10,064,667

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: 280,008

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: (87,889)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (4,034)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was: (1,172,534)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (15,266,267)

(continued on next page)

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
 FOR THE YEAR ENDED JUNE 30, 2020**

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:	1,859,470
Internal Service Funds: to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	2,204,262
Change in Net Position of Governmental Activities	\$ 12,640,165

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 SELF INSURANCE FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2020**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 19,544,268
Accounts receivable	81,734
Due from other funds	1,844,037
Net OPEB asset	740,271
Total current assets	<u>22,210,310</u>
Total Assets	<u>22,210,310</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	1,011,055
Total Deferred Outflows of Resources	<u>1,011,055</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	1,251,766
Total Deferred Inflows of Resources	<u>1,251,766</u>
NET POSITION	
Restricted	21,969,599
Total Net Position	<u>\$ 21,969,599</u>

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 SELF INSURANCE FUND
 STATEMENT OF ACTIVITIES
 JUNE 30, 2020**

	<u>Activities</u>
	<u>Internal Service Fund</u>
OPERATING REVENUES	
Premiums/contributions	\$ 3,051,177
Total operating revenues	<u>3,051,177</u>
OPERATING EXPENSES	
Other postemployment benefits (OPEB)	1,181,093
Total operating expenses	<u>1,181,093</u>
Operating income/(loss)	<u>1,870,084</u>
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	334,178
Total non-operating revenues/(expenses)	<u>334,178</u>
CHANGE IN NET POSITION	2,204,262
Net Position - Beginning	<u>19,765,337</u>
Net Position - Ending	<u>\$ 21,969,599</u>

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 SELF INSURANCE FUND
 STATEMENT OF CASH FLOWS
 JUNE 30, 2020**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash flows from operating activities	
Cash received from user charges	\$ 3,051,177
Cash received (paid) from assessments made to (from) other funds	19,727,076
Cash payments for payroll, insurance, and operating costs	<u>(9,735,681)</u>
Net cash provided by (used for) operating activities	<u>13,042,572</u>
Cash flows from investing activities	
Interest received	<u>334,178</u>
Net cash provided by (used for) investing activities	<u>334,178</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>13,376,750</u>
 CASH AND CASH EQUIVALENTS	
Beginning of year	<u>6,167,518</u>
End of year	<u>\$ 19,544,268</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income/(loss)	\$ 1,870,084
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivables	(14,256)
(Increase) decrease in due from other funds	19,741,332
(Increase) decrease in net OPEB assets	(740,271)
(Increase) decrease in deferred outflows related to OPEB	(355,112)
Increase (decrease) in net OPEB liability	(7,017,162)
Increase (decrease) in deferred inflows related to OPEB	<u>(442,043)</u>
Net cash provided by (used for) operating activities	<u>\$ 13,042,572</u>

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Trust Funds		Agency Funds	
	Retiree Benefit/ OPEB Trust Fund	Private-Purpose Trust Funds	Warrant/Pass- through Fund	Student Body Fund
ASSETS				
Current assets				
Cash and investments	\$ 28,480,399	\$ 148,341,088	\$ 61,405,139	\$ 652
Accounts receivable	-	3,986,709	-	-
Prepaid expenses	-	213,070	-	-
OPEB asset	-	26,150	-	-
Total Assets	28,480,399	152,567,017	\$ 61,405,139	\$ 652
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	947,957	-	-
Deferred outflows related to OPEB	-	70,712	-	-
Total Deferred Outflows of Resources	-	1,018,669	\$ -	\$ -
LIABILITIES				
Current liabilities				
Accrued liabilities	-	1,984,037	\$ -	\$ -
Underground storage tank	-	70,000	-	-
Unearned revenue	-	2,042,581	-	-
Unpaid self-insurance	-	65,112,006	-	-
Due to student groups	-	-	-	652
Due to other agencies	-	-	61,405,139	-
Total current liabilities	-	69,208,624	61,405,139	652
Non-current liabilities				
Compensated absences	-	279,305	-	-
Net pension liability	-	4,511,239	-	-
Total non-current liabilities	-	4,790,544	-	-
Total Liabilities	-	73,999,168	\$ 61,405,139	\$ 652
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	808,274	-	-
Deferred inflows related to OPEB	-	35,297	-	-
Total Deferred Inflows of Resources	-	843,571	\$ -	\$ -
NET POSITION				
Restricted	28,480,399	78,742,947		
Total Net Position	\$ 28,480,399	\$ 78,742,947		

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 FIDUCIARY FUNDS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020**

	Trust Funds	
	Retiree Benefit/ OPEB Trust Fund	Private-Purpose Trust Funds
ADDITIONS		
Participant fees	\$ -	\$ 109,871,508
Investment earnings	841,194	2,804,372
Contributions	8,528,542	-
Total Additions	9,369,736	112,675,880
DEDUCTIONS		
Claims paid, net of recoveries	-	55,010,623
Insurance premiums	-	32,416,266
Administrative expenses	22,027	9,862,865
Construction projects	-	12,853,037
Total Deductions	22,027	110,142,791
CHANGE IN NET POSITION	9,347,709	2,533,089
Net Position - Beginning	19,132,690	76,209,858
Net Position - Ending	\$ 28,480,399	\$ 78,742,947

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

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

C. Basis of Presentation

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the County Office of Education, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

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

Major Governmental Funds

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

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

Non-Major Governmental Funds

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

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

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the County Office of Education’s contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a local education agency may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the County Office of Education (*Education Code Sections 17582 and 17583*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

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

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the County Office of Education and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of County School Service Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Proprietary Funds

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

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

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

OPEB Trust Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both. The OPEB trust fund exists to account separately for amounts held in trust for OPEB benefits. The contributions to this fund are irrevocable and can only be used for OPEB benefit payments.

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

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

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California local education agencies and so as not to 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 local education agencies as collectible within one year.

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

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

Unearned Revenue

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

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

Expenses/Expenditures

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

The County Office of Education’s cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Inventories

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

Capital Assets

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

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 – June 30, 2020

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

Premiums and Discounts

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the County Office of Education will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the County Office of Education will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

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

Fund Balance

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

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

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

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

F. Interfund Activity

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

G. Estimates

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Property Tax

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

I. Budgetary Data

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

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

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The County Office of Education has not yet determined the impact on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The County Office of Education has not yet determined the impact on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The County Office of Education has not yet determined the impact on the financial statements.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 95 – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This standard’s primary objective is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The statement is effective immediately. The County Office of Education has implemented GASB Statement No. 95.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Governmental Activities	Fiduciary Funds
Investment in county treasury	\$ 223,949,526	\$ 19,544,268	\$ 243,493,794	\$ 206,686,496
Cash on hand and in banks	244,990	-	244,990	750,652
Cash with fiscal agent (US Bank)	-	-	-	2,309,731
Cash with fiscal agent (CERBT)	-	-	-	28,480,399
Cash in revolving fund	25,640	-	25,640	-
Total	\$ 224,220,156	\$ 19,544,268	\$ 243,764,424	\$ 238,227,278

B. Policies and Practices

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

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

Cash with a fiscal agent – Cash with fiscal agent/trustee represents cash held by the CERBT for OPEB trust and amounts held at US Bank for construction projects affiliated with the facilities and energy JPA trust funds. The cash with fiscal agent for facilities and energy JPA trust funds are held in highly liquid cash accounts with original maturities less than ninety days.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office of Education manages its exposure to interest rate risk by investing in the County Treasury. The County Office of Education maintains a pooled investment with the County Treasury with a fair value of approximately \$456,454,156 and an amortized book value of \$450,180,290. The average weighted maturity for this pool is 556 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the County Office of Education’s deposits may not be returned to it. The County Office of Education does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the County Office of Education’s bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

Uncategorized - Investments in the San Diego County Treasury Investment Pool are not measured using the input levels above because the County Office of Education’s transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The County Office of Education’s fair value measurements at June 30, 2020 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 456,454,156
Cash with fiscal agent (US Bank)	2,309,731
Cash with fiscal agent (CERBT)	28,480,399
Total	<u>\$ 487,244,286</u>

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Internal Service Funds	Governmental Activities	Fiduciary Funds
Federal Government						
Categorical aid	\$ 5,435,772	\$ 69,376,554	\$ -	\$ -	\$ 74,812,326	\$ -
State Government						
Apportionment	3,500,993	-	-	-	3,500,993	-
Categorical aid	10,888,739	18,781,539	344,649	-	30,014,927	-
Lottery	86,158	-	-	-	86,158	-
Local Government						
Other local sources	11,102,577	-	203,771	81,734	11,388,082	868,944
Local sources						
Fees and contracts	-	-	-	-	-	3,117,766
Total	\$ 31,014,239	\$ 88,158,093	\$ 548,420	\$ 81,734	\$ 119,802,486	\$ 3,986,710

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 01, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,877,796	\$ 2,000,000	\$ -	\$ 3,877,796
Construction in progress	661,282	58,361	123,379	596,264
Total Capital Assets not Being Depreciated	2,539,078	2,058,361	123,379	4,474,060
Capital assets being depreciated				
Land improvements	2,127,699	-	-	2,127,699
Buildings & improvements	41,802,043	12,319,155	-	54,121,198
Furniture & equipment	59,279,037	509,464	14,872	59,773,629
Total Capital Assets Being Depreciated	103,208,779	12,828,619	14,872	116,022,526
Less Accumulated Depreciation				
Land improvements	1,077,235	101,852	-	1,179,087
Buildings & improvements	17,013,927	1,239,316	-	18,253,243
Furniture & equipment	22,251,902	3,357,766	14,872	25,594,796
Total Accumulated Depreciation	40,343,064	4,698,934	14,872	45,027,126
Governmental Activities				
Capital Assets, net	\$ 65,404,793	\$ 10,188,046	\$ 123,379	\$ 75,469,460

Depreciation for the year ended June 30, 2020 was charged to functions as follows:

Unallocated	\$ 278,871
Instruction	29,712
Instructional supervision and administration	56,239
Instructional library, media, and technology	110,171
School site administration	3,405
Food services	2,316
Centralized data processing	2,238,308
All other general administration	60,909
Plant services	1,919,003
Total	\$4,698,934

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2020 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>				<u>Total</u>
	<u>County School Service Fund</u>	<u>Special Education Pass-Through Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Internal Service Fund</u>	
County School Service Fund	\$ -	\$ 97,604	\$ 11,576,970	\$ 1,844,037	\$ 13,518,611
Non-Major Governmental Funds	71,114	-	19,377	-	90,491
Total	\$ 71,114	\$ 97,604	\$ 11,596,347	\$ 1,844,037	\$ 13,609,102

Due from the County School Service Fund to the Special Education Pass-Through Fund for adjustment to final property taxes.	\$	97,604
Due from the County School Service Fund to the Child Development Fund for census hours contributions.		334
Due from the County School Service Fund to the Capital Facilities Fund for building.		11,576,636
Due from the County School Service Fund to the Self Insurance Fund for clearing OPEBs.		1,844,037
Due from the Child Development Fund to the County School Service Fund for indirect costs and to clear OPEB.		71,114
Due from the Building Fund to the Capital Facilities Fund for expense reimbursements.		17,399
Due from the Special Reserve Fund for Capital Outlay Projects to the Capital Facilities Fund for Thrive Building closing costs refund.		1,978
Total	\$	13,609,102

B. Operating Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>	
	<u>County School Service Fund</u>	<u>Total</u>
Non-Major Governmental Funds	\$ 535,000	\$ 535,000
Total	\$ 535,000	\$ 535,000

The Capital Facilities Fund transfer to the County School Service Fund for capital projects.	\$	250,000
The Special Reserve Fund for Capital Outlay Projects transfer to the County School Service Fund for capital projects.		285,000
Total	\$	535,000

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2020 consisted of the following:

	<u>County School Service Fund</u>	<u>Special Education Pass-Through Fund</u>	<u>Non-Major Governmental Funds</u>	<u>County-Wide</u>	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Payroll	\$ 539,826	\$ -	\$ 24,561	\$ -	\$ 564,387	\$ 188
Construction	-	-	53,584	-	53,584	-
Vendors payable	13,550,064	-	235,101	-	13,785,165	1,912,810
Due to grantor government	9,867,531	-	-	-	9,867,531	-
Pass through liabilities	-	90,269,738	-	-	90,269,738	-
Unmatured interest	-	-	-	12,428	12,428	-
Other liabilities	-	-	-	-	-	71,038
Total	\$ 23,957,421	\$ 90,269,738	\$ 313,246	\$ 12,428	\$ 114,552,833	\$ 1,984,036

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2020 consisted of the following:

	County School Service Fund	Non-Major Governmental Funds	Governmental Activities	Fiduciary Funds
Federal sources	\$ 380,781	\$ 498,780	\$ 879,561	\$ -
State categorical sources	1,315,662	555,008	1,870,670	-
Local sources	2,504,866	-	2,504,866	2,042,581
Total	\$ 4,201,309	\$ 1,053,788	\$ 5,255,097	\$ 2,042,581

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2020 consisted of the following:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Balance Due In One Year
Governmental Activities					
Capital leases	\$ 557,570	\$ 87,889	\$ 280,008	\$ 365,451	\$ 209,255
Early retirement incentive	3,273,896	-	1,859,470	1,414,426	1,414,426
Compensated absences	2,920,362	1,172,534	-	4,092,896	-
Net OPEB liability	7,017,162	-	7,017,162	-	-
Net pension liability	153,881,890	11,657,072	-	165,538,962	-
Total	\$ 167,650,880	\$ 12,917,495	\$ 9,156,640	\$ 171,411,735	\$ 1,623,681

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Balance Due In One Year
Private Purpose Trusts					
Compensated absences	\$ 172,143	\$ 107,162	\$ -	\$ 279,305	\$ -
Net OPEB liability	213,771	-	213,771	-	-
Net pension liability	4,472,233	39,006	-	4,511,239	-
Total	\$ 4,858,147	\$ 146,168	\$ 213,771	\$ 4,790,544	\$ -

- Payments for capital lease obligations are made in the County School Service Fund and Special Reserve Fund for Capital Outlay Projects.
- Payments for early retirement incentive program are made in the County School Service Fund.
- Payments for compensated absences are typically liquidated in the County School Service Fund and the Non-Major Governmental Funds and Private Purpose Trust Funds.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Capital Leases

The County Office of Education entered into various capital leases with options to purchase, primarily for computer equipment, with annual payments due each year, with principal maturing through 2023. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2021	\$ 234,380
2022	126,612
2023	24,985
2024	19,152
Total minimum lease payments	405,129
Less amount representing interest	(39,678)
Present value of minimum lease payments	<u>\$ 365,451</u>

B. Early Retirement Incentive

During the 2017-18 fiscal year the County Office of Education offered a retirement incentive to eligible employees. The incentive called for lump sum payments to retirement accounts for employees who took advantage of the offer varying from \$13,455 to \$79,690 based on position, salary, and service years. The payments are made over a three-year period. Total outstanding balance as of June 30, 2020 amounted to \$1,414,426.

C. Compensated Absences

Total unpaid employee compensated absences in governmental activities as of June 30, 2020 amounted to \$4,092,896. This amount is included as part of long-term liabilities in the government-wide financial statements. Total unpaid employee compensated absences in the private purpose trust funds as of June 30, 2020 amounted to \$279,305. This amount is included as part of long-term liabilities in the private purpose trust financial statements.

D. Other Postemployment Benefits

The County Office of Education’s beginning net OPEB liability in governmental activities was \$7,017,162 and decreased by \$7,757,433 reducing the ending net total OPEB liability to \$0 and resulting in an asset of \$740,271 at June 30, 2020. The County Office of Education’s beginning net OPEB liability in the private purpose trust funds was \$213,771 and decreased by \$239,921 reducing the liability to \$0 and resulting in an asset of \$26,150 at June 30, 2020. See Note 10 for additional information regarding the net OPEB liability (asset).

E. Net Pension Liability

The County Office of Education’s beginning net pension liability in governmental activities was \$153,881,890 and increased by \$11,657,072 during the year ended June 30, 2020. The ending net pension liability at June 30, 2020 was \$165,538,962. The County Office of Education’s beginning net pension liability in the private purpose trust funds was \$4,472,233 and increased by \$39,006 during the year ended June 30, 2020. The ending net pension liability at June 30, 2020 was \$4,511,239. See Note 11 for additional information regarding the net pension liability.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2020:

	County School Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 25,640	\$ -	\$ 25,640
Prepaid expenditures	1,745,933	-	1,745,933
Total non-spendable	1,771,573	-	1,771,573
Restricted			
Educational programs	22,027,594	155,957	22,183,551
Capital projects	-	53,389,956	53,389,956
Total restricted	22,027,594	53,545,913	75,573,507
Committed			
Other commitments	-	8,956,169	8,956,169
Total committed	-	8,956,169	8,956,169
Assigned			
Income driven	52,409,416	-	52,409,416
Education business system reserves	1,160,979	-	1,160,979
Enrollment reserve	4,500,000	-	4,500,000
Equipment reserve	1,680,000	-	1,680,000
OPEB reserve	4,000,000	-	4,000,000
Pension reserve	7,000,000	-	7,000,000
Vacation accrual	4,092,896	-	4,092,896
Lottery	281,828	-	281,828
Reserve for post employment benefits	217,587	-	217,587
Total assigned	75,342,706	-	75,342,706
Unassigned	62,403,347	-	62,403,347
Total Fund Balance	\$ 161,545,220	\$ 62,502,082	\$ 224,047,302

The County Office of Education is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The County Office of Education’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than two percent of County School Service Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The San Diego County Office of Education’s (SDCOE) defined benefit OPEB plan, San Diego County Office of Education Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit OPEB plan administered by the County Office of Education through CalPERS CERBT Trust Fund. Authority to establish and amend the benefit terms and financing requirements lies with the County Office’s board of directors.

B. OPEB Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in the separately-issued the Plan Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by contacting the County Office of Education. 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:

C. Benefits Provided

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

Certificated (Teachers Only) Employees

SDCOE provides retiree medical (including prescription drug, mental health and chiropractic benefits), dental and vision benefits to eligible retirees and their dependents. SDCOE’s financial obligation is to pay 100% of the cost for single medical coverage subject to an annual maximum to the retiree’s attainment of age 65. The maximum amount contributed by SDCOE shall not exceed the amount being contributed by SDCOE for current active employees. The retiree pays for any amounts above SDCOE’s contribution for the cost of covering eligible dependents. The retiree also pays for the cost of dental and vision coverage for themselves and eligible dependents. SDCOE does not provide any retiree health benefits beyond the retiree’s attainment of Medicare eligibility age (currently age 65). Dependent coverage (except COBRA continuation) ceases upon the death of the retiree or when the retiree reaches age 65. The retiree shall apply for Medicare benefits when eligible. In the event that the retiree becomes eligible for benefits through Medicare or any other benefit or insurance program prior to the retirees’ attainment of age 65, SDCOE will contribute the specified amounts towards a plan which provides comparable benefits as those for a similarly situated current active or retired employee. Eligibility for retiree health coverage requires retirement under STRS/PERS on or after age 55 with at least ten years of full-time service prior to retirement.

Classified, Management and Other Employees

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

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

D. Benefits Provided (continued)

Classified, Management and Other Employees (continued)

SDCOE does not pay for any retiree health benefits beyond age 65 or Medicare eligibility, if earlier. Dependent coverage (except COBRA continuation) ceases upon death of the retiree or when the retiree reaches age 65 or Medicare eligibility, if earlier. Eligibility for retiree health coverage requires retirement under STRS/PERS/CERS on or after age 55 with at least 10 years of full-time SDCOE service. Full-time classified employees who have worked in this capacity for 30 years with SDCOE are eligible on or after age 50.

Board Members

SDCOE provides retiree medical (including prescription drug, mental health and chiropractic benefits), dental and vision benefits to eligible retirees and their dependents For Board Members who served in office after January 1, 1981 who were first elected or appointed prior to January 1, 1990 whose total years of service at time of termination is 12 years or more, SDCOE will pay 100% of the cost for medical, dental and vision coverage for the retiree and any eligible dependents for the retiree’s lifetime. For Board Members who were first elected or appointed after January 1, 1990 whose total years of service at time of termination is 12 years or more, SDCOE provided benefits are similar to other retired employees (benefits are provided only between the ages of 55 and 65 or Medicare eligibility). For Board members first elected or appointed on or after January 1, 1995 or who have not completed 12 years of service, retiree health benefits are only available on a self-pay basis.

E. Contributions

For fiscal year 2019-20, the County Office of Education contributed \$10,454,233 to the Plan, \$1,925,691 of which was used for current premiums.

F. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	143
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>1,057</u>
Total number of participants**	<u><u>1,200</u></u>

*Information not provided

**As of the June 30, 2020 valuation date

G. Net OPEB Liability (Asset)

The components of the net OPEB liability (asset) of the County Office of Education at June 30, 2020, were as follows:

Total OPEB liability	\$27,713,978
Plan fiduciary net position	<u>28,480,399</u>
County Office of Education's net OPEB asset	<u><u>\$ (766,421)</u></u>

Plan fiduciary net position as a percentage of total OPEB liability 102.77%

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

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

H. Investments

Investment Policy

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

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.

Concentrations

The Plan held the following investments of the Plan’s fiduciary net position:

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

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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 7 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

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

I. Actuarial Assumptions and Other Inputs

The net OPEB liability (asset) as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Economic assumptions:

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%
Healthcare cost trend rates	6.50% decreasing to 4.50%

Non-economic assumptions:

Mortality:

SOA Public-2010 General Mortality Table with Generational Scale MP-2018 for employees in the CalPERS pension system.

SOA Public-2010 Teachers Mortality Table with Generational Scale MP-2018 for employees in the CalSTRS pension system.

Retirement rates:

Certificated	Most Recent CalSTRS Retirement Rates Table
Classified	Most Recent CalPERS Retirement Rates for School Employees Table

The actuarial assumptions used in the June 30, 2019 valuation were based on a review of plan experience during the period July 1, 2018 to June 30, 2019.

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

The expected rate of return on assets is dependent on the funding strategy of a participating employer and which investment allocation strategy is selected. For employers fully funding their annual required contribution, Strategy 1 has a CERBT published median yield of 7.28%, Strategy 2 has a published median yield of 6.73% and Strategy 3 has a published median yield of 6.12%. The County Office of Education 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.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

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

J. Changes in Net OPEB Liability (Asset)

	Governmental Activities	Private Purpose Trust Funds	Total
	June 30, 2020	June 30, 2020	June 30, 2020
Total OPEB Liability			
Service Cost	\$ 1,353,632	\$ 46,360	\$ 1,399,992
Interest on total OPEB liability	1,818,902	57,152	1,876,054
Benefits payments	<u>(1,867,027)</u>	<u>(58,664)</u>	<u>(1,925,691)</u>
Net change in total OPEB liability	1,305,507	44,848	1,350,355
Total OPEB liability - beginning	<u>25,575,605</u>	<u>788,018</u>	<u>26,363,623</u>
Total OPEB liability - ending (a)	<u>\$ 26,881,112</u>	<u>\$ 832,866</u>	<u>\$ 27,713,978</u>
Plan fiduciary net position			
Contributions - employer	\$ 10,135,755	\$ 318,478	\$ 10,454,233
Net investment income	815,568	25,626	841,194
Benefit payments	<u>(1,867,027)</u>	<u>(58,664)</u>	<u>(1,925,691)</u>
Administrative expenses	<u>(21,356)</u>	<u>(671)</u>	<u>(22,027)</u>
Net change in plan fiduciary net position	9,062,940	284,769	9,347,709
Plan fiduciary net position - beginning	<u>18,558,443</u>	<u>574,247</u>	<u>19,132,690</u>
Plan fiduciary net position - ending (b)	<u>\$ 27,621,383</u>	<u>\$ 859,016</u>	<u>\$ 28,480,399</u>
County Office of Education's net OPEB liability (asset) - ending (a) - (b)	<u>\$ (740,271)</u>	<u>\$ (26,150)</u>	<u>\$ (766,421)</u>
Plan fiduciary net position as a percentage of the total OPEB liability			102.8%
Covered-employee payroll			\$ 88,699,423
County Office of Education's net OPEB liability (asset) as a percentage of covered-employee payroll			-0.9%

K. Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the San Diego County Office of Education, as well as what the County Office of Education's net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (6.00%)	Valuation Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability (asset) - Governmental Activities	\$ 1,325,367	\$ (740,271)	\$ (2,631,321)
Net OPEB liability (asset) - Private Purpose Trusts	48,533	(26,150)	(96,355)
Total Net OPEB liability (asset)	<u>\$ 1,373,900</u>	<u>\$ (766,421)</u>	<u>\$ (2,727,676)</u>

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

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

L. Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease (5.50% decreasing to 3.50%)	Valuation Trend Rate (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
Net OPEB liability (asset) - Governmental Activities	\$ (3,365,933)	\$ (740,271)	\$ 2,299,083
Net OPEB liability (asset) - Private Purpose Trusts	(123,255)	(26,150)	84,189
Total Net OPEB liability (asset)	\$ (3,489,188)	\$ (766,421)	\$ 2,383,272

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

For the year ended June 30, 2020, the San Diego County Office of Education recognized OPEB expense of \$8,819,163 between governmental activities and private purpose trusts. At June 30, 2020, the San Diego County Office of Education reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities		Private Purpose Trusts	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 569,248	\$ -	\$ 39,813	\$ -
Differences between expected and actual experience	-	1,251,766	-	35,297
Changes in assumptions	441,807	-	30,899	-
Total	\$ 1,011,055	\$ 1,251,766	\$ 70,712	\$ 35,297

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	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 214,656	\$ 252,108	\$ 15,013	\$ 7,108
2022	214,656	252,108	15,013	7,108
2023	214,656	252,108	15,013	7,108
2024	214,656	252,108	15,013	7,108
2025	152,431	243,334	10,660	6,865
Total	\$ 1,011,055	\$ 1,251,766	\$ 70,712	\$ 35,297

SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The County Office of Education reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Governmental Activities			
	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 74,772,371	\$ 18,334,297	\$ 8,473,282	\$ 7,822,642
PERS Pension	90,766,591	21,425,070	8,306,236	26,577,717
Total	\$ 165,538,962	\$ 39,759,367	\$ 16,779,518	\$ 34,400,359

	Private Purpose Trusts			
	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
PERS Pension	\$ 4,511,239	\$ 947,957	\$ 808,274	\$ 1,206,748
Total	\$ 4,511,239	\$ 947,957	\$ 808,274	\$ 1,206,748

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2020, respectively, and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2020 was 18.13% of annual payroll reduced to 17.10% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the County Office of Education were \$8,430,424 for the year ended June 30, 2020.

On-Behalf Payments

The County Office of Education was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$5,690,270 to CalSTRS.

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

At June 30, 2020, the County Office of Education reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office of Education. The amount recognized by the County Office of Education as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County Office of Education were as follows:

County Office of Education's proportionate share of the net pension liability	\$ 74,772,371
State's proportionate share of the net pension liability associated with the County Office of Education	40,793,649
Total	<u>\$ 115,566,020</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the County Office of Education’s proportion was 0.083 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2018.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2020, the County Office of Education recognized pension expense of \$7,822,642. In addition, the County Office of Education recognized pension expense and revenue of \$1,116,094 for support provided by the State. At June 30, 2020, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 2,880,255
Differences between expected and actual experience	188,761	2,106,998
Changes in assumptions	9,457,070	-
Changes in proportion and differences between County Office of Education contributions and proportionate share of contributions	258,042	3,486,029
County Office of Education contributions subsequent to the measurement date	8,430,424	-
Total	<u>\$ 18,334,297</u>	<u>\$ 8,473,282</u>

The \$8,430,424 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 2,476,848	\$ 1,721,552
2022	2,476,848	3,721,172
2023	2,476,848	790,694
2024	2,479,330	897,169
2025	(6,001)	652,296
2026	-	690,399
Total	<u>\$ 9,903,873</u>	<u>\$ 8,473,282</u>

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
County Office of Education's proportionate share of the net pension liability	\$ 111,342,249	\$ 74,772,371	\$ 44,448,977

Pension Plan Fiduciary Net Position

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

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

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

The County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2020 was 21.759% of annual payroll. Contributions to the plan from the governmental activities were \$10,703,668 for the year ended June 30, 2020. Contributions to the plan from the private purpose trusts were \$874,529 for the year ended June 30, 2020.

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

At June 30, 2020, the governmental activities County Office of Education reported a liability of \$90,766,591 and the private purpose trusts reported \$4,734,903 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The County Office of Education's proportion of the net pension liability was based on a projection of the County Office of Education's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the County Office of Education's proportion for the governmental activities and private purpose trusts was 100 percent, which did not change from its proportion measured as of June 30, 2018.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2020, the County Office of Education governmental activities and private purpose trusts recognized pension expense of \$26,577,717. At June 30, 2020, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 1,435,563
Differences between expected and actual experience	8,538,198	-
Changes in assumptions	2,698,106	3,997,874
Changes in proportion and differences between County Office of Education contributions and proportionate share of contributions	433,055	3,681,073
County Office of Education contributions subsequent to the measurement date	10,703,668	-
Total	<u>\$ 22,373,027</u>	<u>\$ 9,114,510</u>

The \$10,703,668 reported as deferred outflows of resources related to pensions resulting from County Office of Education governmental activities and private purpose trusts contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 6,542,918	\$ 2,343,681
2022	3,237,125	4,314,707
2023	941,358	1,229,329
2024	947,958	1,226,793
Total	<u>\$ 11,669,359</u>	<u>\$ 9,114,510</u>

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.375%
Salary Increases	Varies by Entry Age and Service

CalPERS uses the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

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

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

Discount Rate

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

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
County Office of Education's proportionate share of the net pension liability	\$ 145,369,025	\$ 95,501,494	\$ 54,391,161

Pension Plan Fiduciary Net Position

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The County Office of Education received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2020.

B. Litigation

The County Office of Education is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2020.

C. Construction Commitments

As of June 30, 2020, the County Office of Education had no commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The County Office participates in the San Diego Schools Risk Management Joint Powers Authority. The relationship between the County Office and the JPA is such that the JPA is not a component unit of the County Office. The JPA arranges for and provides for various types of insurances for its members as requested. The JPA is governed by a board consisting of a representative from each of its members. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. Financial information can be obtained from the JPA directly.

The County Office entered into a Joint Powers Agreement (JPA) with Grossmont Union High School District for the purpose of obtaining lease revenue bonds for the construction of a joint use facility. The JPA entity formed is called the San Diego County Educational Facilities Authority No. 1. The County Office has a 50% interest in the assets and liabilities of the JPA. On June 15, 1995 the JPA issued three series of lease revenue bonds in the amount of \$4,620,000 with interest rates ranging from 5.375% to 6.50%. In November 2003, the JPA issued new lease revenue bonds in the amount of \$4,155,000 for the purpose of advance refunding \$3,890,000 of the JPA's outstanding 1995 lease revenue bonds and to pay \$125,000 principal of the 1995 lease revenue bonds that matured on August 15, 2004. The new bonds mature from August 15, 2004 to August 15, 2018 with interest rates ranging from 2.0% to 4.25%. The lease revenue bonds have been paid in full. The County Office's interest in the JPA is recorded as Investment in JPA on the Statement of Net Position.

In January 2004, the County Office entered into a Joint Exercise of Powers Agreement with the San Marcos Unified School District. This agreement created and established the San Diego County Educational Facilities Authority No. 2 for the purpose of constructing, owning and operating the North County Regional Education Center (NCREC) on behalf of the County Office and the San Marcos Unified School District. In February 2005, the County Office issued \$10,875,000 of Certificates of Participation (COPs) to provide funds to finance a portion of the construction costs of the NCREC. These COPs have been fully repaid.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2020**

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES (continued)

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 JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the County Office of Education are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the County Office of Education recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the County Office of Education-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2020, total deferred outflows related to pensions was \$39,759,367 and total deferred inflows related to pensions was \$16,779,518 in the governmental activities. At June 30, 2020, total deferred outflows related to pensions was \$947,957 and total deferred inflows related to pensions was \$808,274 in the private purpose trust funds.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the County Office of Education recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the County Office of Education-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2020, total deferred outflows related to other postemployment benefits was \$1,011,055 and total deferred inflows related to other postemployment benefits was \$1,251,766 in the governmental activities. At June 30, 2020, total deferred outflows related to other postemployment benefits was \$70,712 and total deferred inflows related to other postemployment benefits was \$35,297 in the private purpose trust funds.

REQUIRED SUPPLEMENTARY INFORMATION

**SAN DIEGO COUNTY OFFICE OF EDUCATION
COUNTY SCHOOL SERVICE FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 120,613,712	\$ 119,788,251	\$ 125,704,072	\$ 5,915,821
Federal sources	25,532,826	28,426,529	21,935,274	(6,491,255)
Other state sources	64,210,602	69,200,309	63,200,572	(5,999,737)
Other local sources	72,955,807	60,068,106	60,908,211	840,105
Total Revenues	283,312,947	277,483,195	271,748,129	(5,735,066)
EXPENDITURES				
Certificated salaries	52,257,374	53,855,153	50,040,122	3,815,031
Classified salaries	53,432,356	55,220,755	51,095,502	4,125,253
Employee benefits	53,327,249	54,228,225	49,734,031	4,494,194
Books and supplies	5,070,337	6,154,519	3,560,682	2,593,837
Services and other operating expenditures	109,671,966	111,864,483	75,766,413	36,098,070
Capital outlay	2,186,748	1,920,401	12,020,664	(10,100,263)
Other outgo				
Excluding transfers of indirect costs	8,264,926	9,800,066	17,030,143	(7,230,077)
Transfers of indirect costs	(450,361)	(419,816)	(284,852)	(134,964)
Total Expenditures	283,760,595	292,623,786	258,962,705	33,661,081
Excess (Deficiency) of Revenues Over Expenditures	(447,648)	(15,140,591)	12,785,424	27,926,015
Other Financing Sources (Uses)				
Transfers in	405,482	555,482	552,222	(3,260)
Other sources	5,000	5,000	87,889	82,889
Net Financing Sources (Uses)	410,482	560,482	640,111	79,629
NET CHANGE IN FUND BALANCE	(37,166)	(14,580,109)	13,425,535	28,005,644
Fund Balance - Beginning	147,902,098	147,902,098	147,902,098	-
Fund Balance - Ending	\$ 147,864,932	\$ 133,321,989	\$ 161,327,633	\$ 28,005,644

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

- Revenues for Medi-Cal Billing Option and Medi-Cal Administrative Activities are presented as federal revenues in this schedule, while these amounts have been reclassified as local revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- Actual amounts reported in this schedule are for the County School Service Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 61,659,764	\$ 64,379,794	\$ 62,474,024	\$ (1,905,770)
Other state sources	158,320,543	160,424,582	166,335,505	5,910,923
Total Revenues	219,980,307	224,804,376	228,809,529	4,005,153
EXPENDITURES				
Other outgo				
Excluding transfers of indirect costs	219,980,307	224,804,376	228,809,529	(4,005,153)
Total Expenditures	219,980,307	224,804,376	228,809,529	(4,005,153)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes to required supplementary information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office of Education's proportion of the net pension liability	0.083%	0.081%	0.081%	0.080%	0.081%	0.087%
County Office of Education's proportionate share of the net pension liability	\$ 74,772,371	\$ 74,079,796	\$ 74,632,484	\$ 64,731,851	\$ 54,601,404	\$ 50,873,537
State's proportionate share of the net pension liability associated with the County Office of Education	40,793,649	42,571,321	44,319,309	37,029,841	29,072,485	30,975,609
Total	<u>\$ 115,566,020</u>	<u>\$ 116,651,117</u>	<u>\$ 118,951,793</u>	<u>\$ 101,761,692</u>	<u>\$ 83,673,889</u>	<u>\$ 81,849,146</u>
County Office of Education's covered payroll	\$ 44,994,244	\$ 42,806,915	\$ 42,669,340	\$ 39,763,365	\$ 37,478,973	\$ 38,575,721
County Office of Education's proportionate share of the net pension liability as a percentage of its covered payroll	166.2%	173.1%	174.9%	162.8%	145.7%	131.9%
Plan fiduciary net position as a percentage of the total pension liability	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 8,430,424	\$ 7,325,063	\$ 6,176,908	\$ 5,367,803	\$ 4,266,609	\$ 3,328,133
Contributions in relation to the contractually required contribution*	(8,430,424)	(7,325,063)	(6,176,908)	(5,367,803)	(4,266,609)	(3,328,133)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County Office of Education's covered payroll	\$ 48,612,889	\$ 44,994,244	\$ 42,806,015	\$ 42,669,340	\$ 39,763,365	\$ 37,478,973
Contributions as a percentage of covered payroll	17.34%	16.28%	14.43%	12.58%	10.73%	8.88%

*Amounts do not include on-behalf contributions

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS – CALPERS
SDCOE MISCELLANEOUS PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Total Pension Liability						
Service Cost	\$ 7,774,319	\$ 8,838,390	\$ 8,361,462	\$ 6,924,369	\$ 6,205,483	\$ 6,537,055
Interest	24,731,182	23,010,619	22,030,396	20,840,038	19,446,404	18,550,327
Difference between expected and actual experience	8,418,942	5,579,002	811,007	3,305,561	(3,511,467)	-
Changes of assumptions	-	(8,995,216)	18,886,739	-	(4,884,842)	-
Benefits payments	(17,184,100)	(14,160,082)	(12,849,287)	(12,114,878)	(10,083,980)	(9,239,275)
Net change in total pension liability	23,740,343	14,272,713	37,240,317	18,955,090	7,171,598	15,848,107
Total pension liability - beginning	342,176,620	327,903,907	290,663,590	271,708,500	264,536,902	248,688,795
Total pension liability - ending (a)	<u>\$365,916,963</u>	<u>\$342,176,620</u>	<u>\$ 327,903,907</u>	<u>\$290,663,590</u>	<u>\$271,708,500</u>	<u>\$264,536,902</u>
Plan fiduciary net position						
Contributions - employer	\$ 9,691,266	\$ 8,705,450	\$ 8,707,555	\$ 7,591,289	\$ 6,237,980	\$ 5,640,252
Contributions - employee	3,368,707	3,375,277	3,340,738	3,189,961	2,825,329	2,592,242
Net investment income	16,820,753	20,671,600	24,163,836	1,197,862	4,873,114	31,860,716
Benefit payments	(17,184,100)	(14,160,082)	(12,849,287)	(12,114,878)	(10,083,980)	(9,239,275)
Miscellaneous income (expense)	595	(374,604)	-	-	-	-
Administrative expenses	(184,045)	(711,975)	(320,910)	(132,630)	(244,919)	-
Net change in plan fiduciary net position	12,513,176	17,505,666	23,041,932	(268,396)	3,607,524	30,853,935
Plan fiduciary net position - beginning	257,902,293	240,396,627	217,354,695	217,623,091	214,015,567	183,161,632
Plan fiduciary net position - ending (b)	<u>\$270,415,469</u>	<u>\$257,902,293</u>	<u>\$ 240,396,627</u>	<u>\$217,354,695</u>	<u>\$217,623,091</u>	<u>\$214,015,567</u>
County Office of Education's net pension liability - ending (a) - (b)	<u>\$ 95,501,494</u>	<u>\$ 84,274,327</u>	<u>\$ 87,507,280</u>	<u>\$ 73,308,895</u>	<u>\$ 54,085,409</u>	<u>\$ 50,521,335</u>
Plan fiduciary net position as a percentage of the total pension liability	73.9%	75.4%	73.3%	74.8%	80.1%	80.9%
Covered-employee payroll	\$ 45,485,132	\$ 50,888,933	\$ 47,246,635	\$ 43,064,675	\$ 39,069,966	\$ 39,048,179
County Office of Education's net pension liability (asset) as a percentage of covered-employee payroll	210.0%	165.6%	185.2%	170.2%	138.4%	129.4%

See accompanying notes to required supplementary information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS – CALPERS
SDCOE MISCELLANEOUS PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 9,691,266	\$ 9,759,569	\$ 8,705,450	\$ 8,707,555	\$ 7,591,289	\$ 6,237,980
Contributions in relation to the contractually required contribution*	(9,691,266)	(9,759,569)	(8,705,450)	(8,707,555)	(7,591,289)	(6,237,980)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County Office of Education's covered payroll	\$ 45,485,132	\$ 55,168,979	\$ 50,888,993	\$ 47,245,239	\$ 43,064,675	\$ 39,069,966
Contributions as a percentage of covered payroll	21.31%	17.69%	17.11%	18.43%	17.63%	15.97%

See accompanying notes to required supplementary information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
SDCOE RETIREE HEALTHCARE PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability				
Service cost	\$ 1,399,992	\$ 1,272,937	\$ 1,232,869	\$ 1,152,214
Interest on total OPEB liability	1,876,054	1,871,578	1,809,539	1,734,577
Difference between expected and actual experience	-	(1,814,509)	-	-
Changes of assumptions	-	661,788	-	-
Benefits payments	(1,925,691)	(2,184,126)	(2,208,296)	(1,584,796)
Net change in total OPEB liability	1,350,355	(192,332)	834,112	1,301,995
Total OPEB liability - beginning	26,363,623	26,555,955	25,721,843	24,419,848
Total OPEB liability - ending (a)	<u>\$ 27,713,978</u>	<u>\$ 26,363,623</u>	<u>\$ 26,555,955</u>	<u>\$ 25,721,843</u>
Plan fiduciary net position				
Contributions - employer	\$ 10,454,233	\$ 2,184,126	\$ 11,208,296	\$ 1,584,795
Net investment income	841,194	1,114,150	746,595	792,406
Benefit payments	(1,925,691)	(2,184,126)	(2,208,296)	(1,584,795)
Administrative expenses	(22,027)	(8,873)	(6,223)	(4,022)
Net change in plan fiduciary net position	9,347,709	1,105,277	9,740,372	788,384
Plan fiduciary net position - beginning	19,132,690	18,027,413	8,287,041	7,498,657
Plan fiduciary net position - ending (b)	<u>\$ 28,480,399</u>	<u>\$ 19,132,690</u>	<u>\$ 18,027,413</u>	<u>\$ 8,287,041</u>
County Office of Education's net OPEB liability (asset) - ending (a) - (b)	<u>\$ (766,421)</u>	<u>\$ 7,230,933</u>	<u>\$ 8,528,542</u>	<u>\$ 17,434,802</u>
Plan fiduciary net position as a percentage of the total OPEB liability	102.8%	72.6%	67.9%	32.2%
Covered-employee payroll	\$ 88,699,423	\$ 90,726,000	\$ 88,940,000	\$ 88,940,000
County Office of Education's net OPEB liability (asset) as a percentage of covered-employee payroll	-0.9%	8.0%	9.6%	19.6%

See accompanying notes to required supplementary information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS FOR OPEB
SDCOE RETIREE HEALTHCARE PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarially determined contribution (ADC)*	\$ 3,007,990	\$ 2,965,117	\$ 2,208,296	\$ 3,216,583
Contributions in relation to the actuarially determined contribution	<u>(10,454,233)</u>	<u>(2,184,126)</u>	<u>(11,208,296)</u>	<u>(1,584,795)</u>
Contribution deficiency (excess)	<u>\$ (7,446,243)</u>	<u>\$ 780,991</u>	<u>\$ (9,000,000)</u>	<u>\$ 1,631,788</u>
 Covered-employee payroll	 \$ 88,699,423	 \$ 90,726,000	 \$ 88,940,000	 \$ 88,940,000
 Contributions as a percentage of covered payroll	 11.8%	 2.4%	 12.6%	 1.8%

*ADCs for June 30, 2019 and June 30, 2020 come from the Actuarial Valuation Report dated March 14, 2018. The ADC for June 30, 2018 comes from the Actuarial Valuation Report dated May, 2016. ADCs are calculated at the end of the year and assumed to be made at by the end of the year.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF INVESTMENT RETURNS FOR OPEB
SDCOE RETIREE HEALTHCARE PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	7.00%	6.18%	7.20%	10.00%

See accompanying notes to required supplementary information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS.

Schedule of County Office of Education Contributions - CalSTRS

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

Schedule of Changes in Net Pension Liability and Related Ratios - CalPERS

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the sources of change in the net pension liability, and the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalPERS.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the County Office of Education Contributions – CalPERS

This 10-year schedule presents information on the County Office of Education’s actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution.

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios

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

Schedule of the County Office of Education Contributions for OPEB

This 10-year schedule presents information on the County Office of Education’s actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation.

Changes in Assumptions

The inflation rate decreased to 2.50% from 2.75%, and the healthcare cost trend rate increased from 6.50% to 7.00%.

Schedule of Investment Returns for OPEB

This schedule presents information on the County Office of Education's information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2020, the County Office of Education incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
County School Service Fund			
Capital outlay	\$ 1,920,401	\$ 12,020,664	\$ 10,100,263
Other outgo			
Excluding transfers of indirect costs	\$ 9,800,066	\$ 17,030,143	\$ 7,230,077
Transfers of indirect costs	\$ (419,816)	\$ (284,852)	\$ 134,964
Special Education Pass-Through Fund			
Other outgo			
Excluding transfers of indirect costs	\$ 224,804,376	\$ 228,809,529	\$ 4,005,153

SUPPLEMENTARY INFORMATION

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Subrecipient Expenditures
U. S. DEPARTMENT OF EDUCATION:				
<i>Passed through California Department of Education:</i>				
Title I, Part A				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,776,667	\$ -
Comprehensive Support and Improvement for LEAs	84.010	15438	279,722	-
Comprehensive Support and Improvement for COEs	84.010	15439	551,359	50,000
Title I, Part D, Local Delinquent Programs	84.010	14357	1,806,571	-
Subtotal Title I, Part A			<u>4,414,319</u>	<u>50,000</u>
Title I, Migrant Education	84.011	14838	6,536,426	1,104,835
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	86,128	-
Title III, English Learner Student Program	84.365	14346	58,727	-
Title III, Technical Assistance	84.365	14967	306,721	119,000
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	145,562	-
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	7,842,012	6,905,682
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	57,481,394	56,900,205
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	3,380,991	3,362,464
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	2,095,413	2,089,465
IDEA Alternative Dispute Resolution	84.027	13007	50,826	-
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	11,022	10,956
Subtotal Special Education Cluster			<u>63,019,646</u>	<u>62,363,090</u>
IDEA Early Intervention Grants, Part C	84.181	23761	863,497	110,933
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	211,763	-
COVID-19 Emergency Acts Funding:				
Education Stabilization Fund Discretionary Grants				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	10147	961,927	-
<i>Direct Programs:</i>				
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	*	7,428	-
School Climate Transformation Grant Program	84.184G	*	317,363	252,500
Native American Grant	84.299	*	496,852	-
Total U. S. Department of Education			<u>85,268,371</u>	<u>70,906,040</u>
U. S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through California Department of Education:</i>				
Child Nutrition Cluster				
School Breakfast Program - Basic	10.553	13525	23,662	-
School Breakfast Program - Needy	10.553	13526	29,691	-
National School Lunch Program	10.555	13391	174,641	169,191
COVID-19 Emergency Acts Funding - Unanticipated School Closures	10.555	*	1,330	-
USDA Commodities	10.555	*	23,697	-
Subtotal Child Nutrition Cluster			<u>253,021</u>	<u>169,191</u>
Forest Reserve Funds	10.665	10044	151,428	151,428
Total U. S. Department of Agriculture			<u>404,449</u>	<u>320,619</u>

(continued on next page)

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Passed through San Diego County Department of Health and Human Services:</i>				
Child Care and Development Block Grant				
Child Development Quality Improvement	93.575	14092/14872	2,010,901	87,600
Child Development Local Planning	93.575	555650	53,252	-
Subtotal Child Care and Development Block Grant			<u>2,064,153</u>	<u>87,600</u>
Every Student Succeeds Act/Preschool Development Grant	93.575	555650	28,868	-
Foster Care	93.658	525896	135,154	-
Friday Night Live	93.959	521100	337,900	-
<i>Passed through California Department of Education:</i>				
Project Cal-Well	93.243	15289	166,843	65,000
Total U. S. Department of Health & Human Services			<u>2,732,918</u>	<u>152,600</u>
U. S. DEPARTMENT OF THE INTERIOR				
<i>Direct Program:</i>				
Wild Life Reserve Funds	15.663	*	1,835	-
Total U. S. Department of the Interior			<u>1,835</u>	<u>-</u>
U. S. DEPARTMENT OF LABOR				
<i>Direct Program:</i>				
Pathway to Justice Careers	17.270	*	86,904	-
Total U. S. Department of Labor			<u>86,904</u>	<u>-</u>
U. S. DEPARTMENT OF THE TREASURY				
<i>Passed through California Department of Education:</i>				
COVID-19 Emergency Acts Funding:				
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	10149	199,544	-
Total U. S. Department of the Treasury			<u>199,544</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 88,694,021</u>	<u>\$ 71,379,259</u>

* - Pass-Through Entity Identifying Number not available or not applicable

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2020**

	Second Period Report	Annual Report
	Certificate No. F585A447	Certificate No. 9C76DA3C
JUVENILE COURT SCHOOLS		
ELEMENTARY		
Juvenile Halls, Homes, and Camps	9.16	10.10
Total Elementary	9.16	10.10
SECONDARY		
Juvenile Halls, Homes, and Camps	439.65	485.30
Total Secondary	439.65	485.30
Total Juvenile Court Schools	448.81	495.40
COUNTY FUNDED NON-JUVENILE COURT SCHOOLS		
ELEMENTARY		
Probation Referred, On Probation or Parole, or Expelled	38.37	42.33
Total Elementary	38.37	42.33
SECONDARY		
Probation Referred, On Probation or Parole, or Expelled	659.10	727.53
Total Secondary	659.10	727.53
Total County Funded Non-Juvenile Court Schools	697.47	769.86

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2020**

Grade Level	Minutes Requirement	2019-20 Planned Instructional Minutes	2019-20 Planned Number of Days	2019-20 Actual Instructional Minutes	2019-20 Actual Number of Days	Instructional Minutes Closed due to COVID-19	Number of Days Certified Closed due to COVID-19*	Status
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NA – Not applicable for county offices of education.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

	2021 (Budget)	2020	2019	2018
County School Service Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 288,285,856	\$ 272,388,240	\$ 264,010,879	\$ 248,241,799
Expenditures And Other Financing Uses	292,530,083	258,962,705	261,766,631	245,007,864
Net change in Fund Balance	<u>\$ (4,244,227)</u>	<u>\$ 13,425,535</u>	<u>\$ 2,244,248</u>	<u>\$ 3,233,935</u>
Ending Fund Balance	<u>\$ 157,083,406</u>	<u>\$ 161,327,633</u>	<u>\$ 147,902,098</u>	<u>\$ 145,657,850</u>
Available Reserves*	<u>\$ 55,079,609</u>	<u>\$ 62,403,347</u>	<u>\$ 54,220,245</u>	<u>\$ 55,197,983</u>
Available Reserves As A Percentage Of Outgo	<u>18.83%</u>	<u>24.10%</u>	<u>20.71%</u>	<u>22.53%</u>
Long-term Liabilities	<u>\$ 169,788,054</u>	<u>\$ 171,411,735</u>	<u>\$ 167,650,880</u>	<u>\$ 183,091,226</u>
Average Daily Attendance At P-2	<u>1,400</u>	<u>1,146</u>	<u>1,499</u>	<u>1,540</u>

The County School Service Fund ending fund balance has increased by \$15,669,783 over the past two years. The fiscal year 2020-21 budget projects a decrease of \$4,244,227. For a County Office of Education this size, the State recommends available reserves of at least 2% of County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County Office of Education has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2020-21 fiscal year. Total long-term obligations have decreased by \$11,671,491 over the past two years.

Average daily attendance has decreased by 394 ADA over the past two years. An increase of 254 in ADA is anticipated during the 2020-21 fiscal year.

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

**Actual amounts reported in this schedule are for the County School Service Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54. Additionally, the revenues for Medi-Cal Billing Option and Medi-Cal Administrative Activities are presented as federal revenues in this schedule, while these amounts have been reclassified as local revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

	County School Service Fund	Special Reserve Fund for Postemployment Benefits
June 30, 2020, annual financial and budget report fund balance	\$ 161,327,633	\$ 217,587
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	217,587	(217,587)
Net adjustments and reclassifications	217,587	(217,587)
June 30, 2020, audited financial statement fund balance	<u>\$ 161,545,220</u>	<u>\$ -</u>

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF CHARTER SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2020**

Charter #	Charter School	Status	Included in Audit Report
0405	Literacy First Charter School	Active	No
1946	Dimensions Collaborative School	Active	No
1947	Community Montessori	Active	No
1872	School of Universal Learning - SOUL	Active	No
1883	Scholarship Prep Charter School-Oceanside	Active	No
1989	Pacific Springs Charter	Active	No
2016	Classical Academy Vista	Active	No
2023	National University Academy Dual Language Institute	Active	No
2024	JCS Manzanita	Active	No

**SAN DIEGO COUNTY OFFICE OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS								
Cash and investments	\$ 1,159,759	\$ 8,954,051	\$ 2	\$ 9,812	\$ 8,456,078	\$ 33,170	\$ 33,201,968	\$ 51,814,840
Accounts receivable	344,649	37,476	419	7,587	59,043	139	99,107	548,420
Due from other funds	334	-	-	-	11,596,013	-	-	11,596,347
Total Assets	\$ 1,504,742	\$ 8,991,527	\$ 421	\$ 17,399	\$ 20,111,134	\$ 33,309	\$ 33,301,075	\$ 63,959,607
LIABILITIES								
Accrued liabilities	\$ 224,304	\$ 35,358	\$ -	\$ -	\$ -	\$ -	\$ 53,584	\$ 313,246
Due to other funds	71,114	-	-	17,399	-	-	1,978	90,491
Unearned revenue	1,053,788	-	-	-	-	-	-	1,053,788
Total Liabilities	1,349,206	35,358	-	17,399	-	-	55,562	1,457,525
FUND BALANCES								
Restricted	155,536	-	421	-	20,111,134	33,309	33,245,513	53,545,913
Committed	-	8,956,169	-	-	-	-	-	8,956,169
Total Fund Balances	155,536	8,956,169	421	-	20,111,134	33,309	33,245,513	62,502,082
Total Liabilities and Fund Balance	\$ 1,504,742	\$ 8,991,527	\$ 421	\$ 17,399	\$ 20,111,134	\$ 33,309	\$ 33,301,075	\$ 63,959,607

See accompanying note to supplementary information.

**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, 2020**

	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES								
LCFF sources	\$ -	\$ 1,225,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,225,000
Federal sources	2,010,901	-	150,967	-	-	-	-	2,185,565
Other state sources	3,987,256	-	-	-	-	-	-	3,987,256
Other local sources	23,397	167,450	882	50,211	4,672,215	662	491,051	5,405,868
Total Revenues	6,021,554	1,392,450	151,849	50,211	4,672,215	662	491,051	12,803,689
EXPENDITURES								
Current								
Instruction-related services								
Instructional supervision and administration	5,713,307	-	-	-	-	-	-	5,713,307
Pupil services								
Food services	-	-	-	-	-	-	-	23,697
General administration								
All other general administration	284,852	-	-	-	-	-	-	284,852
Plant services	-	1,459,480	-	-	-	-	97,588	1,557,068
Facilities acquisition and maintenance	-	-	-	2,714,148	-	-	230,834	2,944,982
Transfers to other agencies	-	-	151,428	-	-	-	-	151,428
Debt service								
Principal	-	-	-	-	-	-	216,822	216,822
Interest and other	-	-	-	-	-	-	27,013	27,013
Total Expenditures	5,998,159	1,459,480	151,428	2,714,148	-	-	572,257	10,919,169
Excess (Deficiency) of Revenues Over Expenditures	23,395	(67,030)	421	(2,663,937)	4,672,215	662	(81,206)	1,884,520
Other Financing Sources (Uses)								
Transfers out	-	-	-	-	(250,000)	-	(285,000)	(535,000)
Net Financing Sources (Uses)	-	-	-	-	(250,000)	-	(285,000)	(535,000)
NET CHANGE IN FUND BALANCE	23,395	(67,030)	421	(2,663,937)	4,422,215	662	(366,206)	1,349,520
Fund Balance - Beginning	132,141	9,023,199	-	2,663,937	15,688,919	32,647	33,611,719	61,152,562
Fund Balance - Ending	\$ 155,536	\$ 8,956,169	\$ 421	\$ -	\$ 20,111,134	\$ 33,309	\$ 33,245,513	\$ 62,502,082

See accompanying note to supplementary information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF NET POSITION
FIDUCIARY FUNDS – PRIVATE PURPOSE TRUSTS
JUNE 30, 2020**

	Employee Benefits Self-Insurance Trust Fund	Workers' Compensation Self-Insurance Trust Fund	Property & Liability Self-Insurance Trust Fund	Miscellaneous Property Self-Insurance Trust Fund	Joint Facilities Authority Trust Fund	Joint Public Energy Authority Trust Fund	Total Private Purpose Trust Funds
ASSETS							
Current assets							
Cash and investments	\$ 35,512,716	\$ 80,776,051	\$ 28,184,122	\$ 1,558,468	\$ 2,309,711	\$ 20	\$ 148,341,088
Accounts receivable	3,117,765	634,470	227,177	7,297	-	-	3,986,709
Prepaid	-	-	213,070	-	-	-	213,070
OPEB asset	10,432	5,987	9,546	185	-	-	26,150
Total current assets	38,640,913	81,416,508	28,633,915	1,565,950	2,309,711	20	152,567,017
Total Assets	38,640,913	81,416,508	28,633,915	1,565,950	2,309,711	20	152,567,017
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	482,977	167,430	285,030	12,520	-	-	947,957
Deferred outflows related to OPEB	25,237	12,537	31,542	1,396	-	-	70,712
Total Deferred Outflows of Resources	508,214	179,967	316,572	13,916	-	-	1,018,669
LIABILITIES							
Current liabilities							
Accrued liabilities	1,571,078	203,088	206,368	3,503	-	-	1,984,037
Unearned revenue	2,042,581	-	-	-	-	-	2,042,581
Underground storage tank	-	-	70,000	-	-	-	70,000
Unpaid self-insurance							
Incurred and reported	-	18,231,651	6,941,719	18,559	-	-	25,191,929
Incurred but not reported	3,806,971	25,989,971	10,123,135	-	-	-	39,920,077
Total unpaid self-insurance claim liabilities	3,806,971	44,221,622	17,064,854	18,559	-	-	65,112,006
Total current liabilities	7,420,630	44,424,710	17,341,222	22,062	-	-	69,208,624
Non-current liabilities							
Compensated absence	106,321	89,145	82,679	1,160	-	-	279,305
Net pension liability	1,737,726	1,035,820	1,706,996	30,697	-	-	4,511,239
Total non-current liabilities	1,844,047	1,124,965	1,789,675	31,857	-	-	4,790,544
Total Liabilities	9,264,677	45,549,675	19,130,897	53,919	-	-	73,999,168
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	128,091	579,391	97,064	3,728	-	-	808,274
Deferred inflows related to OPEB	13,442	9,562	11,794	499	-	-	35,297
Total Deferred Inflows of Resources	141,533	588,953	108,858	4,227	-	-	843,571
NET POSITION							
Restricted	29,742,917	35,457,847	9,710,732	1,521,720	2,309,711	20	78,742,947
Total Net Position	\$ 29,742,917	\$ 35,457,847	\$ 9,710,732	\$ 1,521,720	\$ 2,309,711	\$ 20	\$ 78,742,947

See accompanying note to supplementary information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF ACTIVITIES
FIDUCIARY FUNDS – PRIVATE PURPOSE TRUSTS
JUNE 30, 2020**

	Employee Benefits Self-Insurance Trust Fund	Workers' Compensation Self-Insurance Trust Fund	Property & Liability Self-Insurance Trust Fund	Miscellaneous Property Self-Insurance Trust Fund	Joint Facilities Authority Trust Fund	Joint Public Energy Authority Trust Fund	Total Private Purpose Trust Funds
OPERATING REVENUES							
Investment income	\$ 605,691	\$ 1,534,069	\$ 605,364	\$ 36,662	\$ 20,708	\$ 1,878	\$ 2,804,372
Participant fees	52,984,949	29,406,464	19,008,022	636,180	6,291,720	119,148	108,446,483
Commissions and refunds	1,425,025	-	-	-	-	-	1,425,025
Total revenues	55,015,665	30,940,533	19,613,386	672,842	6,312,428	121,026	112,675,880
OPERATING EXPENSES							
Self-insurance claims paid	32,296,615	15,763,952	6,674,248	275,808	-	-	55,010,623
Insurance premiums	11,211,754	11,861,675	8,924,568	418,269	-	-	32,416,266
Claims management fees	124,004	2,672,583	-	-	-	-	2,796,587
Administrative expenses	3,468,581	1,583,823	1,983,498	23,021	7,355	-	7,066,278
Construction projects	-	-	-	-	11,735,125	1,117,912	12,853,037
Total expenses	47,100,954	31,882,033	17,582,314	717,098	11,742,480	1,117,912	110,142,791
CHANGE IN NET POSITION	7,914,711	(941,500)	2,031,072	(44,256)	(5,430,052)	(996,886)	2,533,089
Net Position - Beginning	21,828,206	36,399,347	7,679,660	1,565,976	7,739,763	996,906	76,209,858
Net Position - Ending	\$ 29,742,917	\$ 35,457,847	\$ 9,710,732	\$ 1,521,720	\$ 2,309,711	\$ 20	\$ 78,742,947

See accompanying note to supplementary information.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2020**

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

GOVERNING BOARD

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

COUNTY OFFICE OF EDUCATION ADMINISTRATORS

PAUL GOTHOLD, Ed.D
Superintendent

MICHAEL SIMONSON
Deputy Superintendent
Chief Business Officer
Business Services Division

ANDRIENNE LOREE
Executive Director
Internal Business Services

**SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2020 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2020.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$86,545,075
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	961,927
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	199,544
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	431,840
Every Student Succeeds Act/Preschool Development Grant	93.575	28,868
Foster Care	93.658	135,154
Friday Night Live	93.959	337,900
Child Development Local Planning	93.575	53,252
Forest Reserve Funds	10.665	461
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$88,694,021</u>

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the County Office of Education and whether the County Office of Education complied with the provisions of *Education Code Sections 46200 through 46208*.

Schedule of Financial Trends and Analysis

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

**SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2020**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

These statements provide information on the County Office of Education’s non-major funds.

Combining Statements – Private Purpose Trust Funds

These statements provide information on the County Office of Education’s private purpose trust funds.

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2020, and the related notes to the financial statements, which collectively comprise the San Diego County Office of Education's basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego County Office of Education's internal control over financial reporting (internal control) as a basis for designing 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 San Diego County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of San Diego County Office of Education's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego County Office of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
January 29, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited San Diego County Office of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Diego County Office of Education's major federal programs for the year ended June 30, 2020. San Diego County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, San Diego County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
January 29, 2021

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

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

Report on State Compliance

We have audited San Diego County Office of Education's compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of San Diego County Office of Education's state programs for the fiscal year ended June 30, 2020, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Diego County Office of Education's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about 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 with the requirements referred to above. However, our audit does not provide a legal determination of San Diego County Office of Education's compliance with those requirements.

Opinion on State Compliance

In our opinion, San Diego County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2020.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	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	Not Applicable
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable



San Diego, California
January 29, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>84.011</u>	<u>Title I, Migrant Education</u>
<u>84.287</u>	<u>Title IV, Part B, 21st Century Community Learning Centers Program</u>
<u>84.425D</u>	<u>Elementary and Secondary School Emergency Relief (ESSER) Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,660,821</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SAN DIEGO COUNTY OFFICE OF EDUCATION
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2020.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2020.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2020.

**SAN DIEGO COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no findings or questioned costs for the year ended June 30, 2019.