



Financial Statements  
June 30, 2020

# Eden Area Regional Occupational Program

# Eden Area Regional Occupational Program

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June 30, 2020

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## Independent Auditor's Report

To the Governing Board  
Eden Area Regional Occupational Program  
Hayward, 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 Eden Area Regional Occupational Program (EAROP) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the EAROP'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 the Eden Area Regional Occupational Program as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Correction of Error**

As discussed in Note 16 to the financial statements, the prior year financial statements contained an error that was discovered during the current year. The prior year financial statements incorrectly included an agent multi-employer defined benefit other postemployment benefits plan as a trust fund. Accordingly, the beginning net position of the fiduciary fund financial statements has been restated to remove the trust fund. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eden Area Regional Occupational Program's basic financial statements. The schedule of average daily attendance, reconciliation of annual financial and budget report with audited financial statements, and schedule of financial trends and analysis (supplementary information) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information 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 May 26, 2021, on our consideration of the Eden Area Regional Occupational Program'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 Eden Area Regional Occupational Program'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 Eden Area Regional Occupational Program's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eden Sally LLP". The signature is written in a cursive, flowing style.

San Ramon, California  
May 26, 2020

This section of the Eden Area Regional Occupational Program's (EAROP) annual financial report presents our discussion and analysis of the EAROP's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the EAROP's financial statements, which immediately follow this section.

## **Overview of the Financial Statements**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the Eden Area Regional Occupational Program (EAROP) using the integrated approach as prescribed by Governmental Accounting Standards Board Statement GASB No. 34.

The Government-Wide Financial Statements present the financial picture of the EAROP from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the EAROP (including capital assets) and deferred outflows of resources, as well as all liabilities (including long-term obligations) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental, and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Eden Area Regional Occupational Program (EAROP).

### **Financial Highlights of 2019-2020**

The Total General Fund revenues, including the Adult Education Fund (Fund 11) and Special Reserve Fund for Postemployment Benefits (Fund 20), reported as part of the General fund due to the requirements of GASB 54, were \$12,404,517, including on-behalf payment of \$396,572, for 2019-2020. EAROP receives approximately 63 percent of its revenue from funds provided by member districts from their Local Control Funding Formula. The remaining amount comes from Federal, State, and Local grants, donations, registration fees and interest income.

Salaries and benefits expenditures reflect the changes in staffing due to new grants received as well as annual step and column. The General Fund ending balance, including the consolidation of Funds 11 and 20, the Adult Education and Special Reserve Fund for Postemployment Benefits is \$6,968,619. The reserve for economic uncertainty of 6% percent has been met.

### **Reporting the EAROP as A Whole**

#### **The Statement of Net Position and the Statement of Activities**

The *Statement of Net Position* and the *Statement of Activities* report information about the EAROP as a whole and about its activities. These statements include all assets, deferred outflows, liabilities, and deferred inflows of the EAROP using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the EAROP's net position and changes in it. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the EAROP's financial health, or financial position. Over time, increases or decreases in the EAROP's net position will serve as a useful indicator of whether the financial position of the EAROP is improving or deteriorating. Other factors to consider are changes in the EAROP's funding as a result of the member districts Local Control Funding Formula provisions that fund the EAROP based on 2012-13 funding levels.

The relationship between revenues and expenses is the EAROP's operating results. Since the Governing Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the EAROP. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the EAROP activities as follows:

**Governmental Activities** – All of the EAROP's services are reported in this category. This includes the education of high school Juniors and Seniors (or students who have reached the age of 16, with certain exceptions), adult education students, and the on-going effort to improve and maintain buildings and sites. The EAROP leases the buildings at the Hayward site. Property taxes, state income taxes, interest income, Federal, State, and local grants, finance these activities.

### **Reporting the EAROP's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the EAROP as a whole. Some funds are required to be established by State law. However, management establishes many funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

**Governmental Funds** - All of the EAROP's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the EAROP's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the EAROP's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

### **The EAROP as A Trustee**

#### **Reporting the EAROP's Fiduciary Responsibilities**

The EAROP is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities. The EAROP's fiduciary activities are reported in separate *Statements of Fiduciary Net Position*. We exclude these activities from the EAROP's other financial statements because the EAROP cannot use these assets to finance its operations. The EAROP is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The EAROP as a Whole**

#### **Net Position**

The EAROP's net position was \$5,983,701 for the fiscal year ended June 30, 2020 and \$6,769,986 for the fiscal year ended June 30, 2019. Of this amount, \$2,821,515 and \$4,612,012 of net position on the full accrual basis was unrestricted for each respective year. 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 net position for day to day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the EAROP's governmental activities.

**Table 1**

	2020	2019
Governmental Activities		
Current and Other Assets	\$ 11,670,954	\$ 13,363,549
Capital Assets	2,972,781	2,037,233
Total assets	14,643,735	15,400,782
Deferred Outflows of Resources	2,414,081	2,550,211
Current Liabilities	1,636,015	1,982,160
Long-term Debt	8,307,184	8,421,312
Total liabilities	9,943,199	10,403,472
Deferred Inflows of Resources	1,130,916	777,535
Net Position		
Net investment in capital assets	2,972,781	2,037,233
Restricted	189,405	120,741
Unrestricted	2,821,515	4,612,012
Total net position	\$ 5,983,701	\$ 6,769,986

The \$2,821,515 in unrestricted net position of governmental activities represents the accumulated results of all past year's operations and includes amounts that are assigned by the board for specific purposes but not restricted by external funding sources.

**Changes in Net Position**

The results of this year's operations for the EAROP as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities	
	2020	2019
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 678,788	\$ 754,052
Operating grants and contributions	3,013,318	2,824,815
General revenues		
Federal and State aid not restricted to specific purposes	313,010	1,786,171
Interest and investment earnings	250,517	267,780
Interagency revenues	7,791,158	7,545,184
Other general revenues	483,032	373,169
Total revenues	<u>12,529,823</u>	<u>13,551,171</u>
<b>Expenses</b>		
Instruction	8,566,336	10,746,936
Instruction related activities	1,910,211	2,033,456
Pupil services	989,433	980,969
General administration	1,339,015	1,286,417
Plant services	511,114	551,664
Total expenses	<u>13,316,109</u>	<u>15,599,442</u>
Change in Net Position	<u>\$ (786,286)</u>	<u>\$ (2,048,271)</u>

**Governmental Activities**

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$13,316,109. These costs were primarily funded through the State Regional Occupational Program apportionment received through member districts. The remainder was financed through other Federal and State Grant programs, fees, interest and other local sources.

In Table 3, we have presented the cost and net cost of each of the EAROP's largest functions: instruction, instruction related activities, pupil services, general administration, plant services and other outgo. As discussed above, the net cost represents the amount of expenditures that is funded through general revenues.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 8,566,336	\$ 10,746,936	\$ (5,678,759)	\$ (7,863,197)
Instruction Related Activities	1,910,211	2,033,456	(1,245,459)	(1,404,411)
Pupil Services	989,433	980,969	(884,640)	(966,115)
General Administration	1,339,015	1,286,417	(1,339,015)	(1,286,131)
Plant Services	511,114	551,664	(476,130)	(500,721)
<b>Total</b>	<b>\$ 13,316,109</b>	<b>\$ 15,599,442</b>	<b>\$ (9,624,003)</b>	<b>\$ (12,020,575)</b>

### The EAROP's Funds

As the EAROP completed this year, our governmental funds reported a combined fund balance of \$10,034,939 which is a decrease of \$1,346,451 from last year.

The General fund, including consolidated adult education and special reserve for postemployment benefit funds, ending balance is \$6,968,619 which is a net decrease of \$143,254.

Special Reserve - Capital Outlay fund consists of the Capital outlay, capital equipment and Center operation. The fund decreased \$1,203,197.

### General Fund Budgetary Highlights

Over the course of the year, the EAROP revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 7, 2019. A schedule showing the EAROP's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

Any change in revenue from our original budget to our final adopted budget of \$1,523,503 can be attributed to a change in new and/or expanded state and local grants.

### Capital Asset and Debt Administration

#### Capital Assets

At June 30, 2020, the EAROP had \$2,972,781 in a broad range of capital assets (net of depreciation), including buildings and improvements, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$935,548 (Table 4).

**Table 4**

	Governmental Activities	
	2020	2019
Buildings and Improvements	\$ 4,058,256	\$ 1,486,986
Furniture and Equipment	1,179,183	1,147,540
Work in Progress	-	1,447,940
<b>Total assets</b>	<b>5,237,439</b>	<b>4,082,466</b>
Less total accumulated depreciation	(2,264,658)	2,045,233
<b>Total assets after depreciation</b>	<b>\$ 2,972,781</b>	<b>\$ 2,037,233</b>

Please refer to Note 5 for more detailed information.

**Long-Term Debt**

At the end of the year the EAROP had \$8,307,184 in long-term liabilities outstanding versus \$8,421,312 last year, a decrease of 1 percent. Those long-term liabilities consisted of:

**Table 5**

	Governmental Activities	
	2020	2019
Accumulated Vacation	\$ 55,657	\$ 42,188
Net OPEB Obligation	49,362	429
Aggregate Net Pension Obligation	8,202,165	8,378,695
<b>Totals</b>	<b>\$ 8,307,184</b>	<b>\$ 8,421,312</b>

Significant Accomplishments of Fiscal Year 2019-2020

**Educational Program Advancements**

*Student Organizations/Leadership Opportunities*

Eden Area Regional Occupational Program (EAROP) Career and Technical Education Student Organizations (CTSO's) provide a unique program of career and leadership development, motivation and recognition. EAROP CTSO's and other leadership activities like DECA, Skills USA and NFTE. We had students qualify for the State and National Competition levels, but the competitions were cancelled due to the pandemic.

Students from all four EAROPs attended and competed in Regional, State and National levels.

### *Student Recognition*

EAROP served approximately 4,800 students during the 2019-20 school year. Over 100 students were recognized for overall achievement, including 20 students who were recognized by the EAROP Governing Board in our Outstanding Student Recognition Program.

During the 2019-2020 school year, 76 students logged enough volunteer service hours to earn either a gold, silver or bronze medal. In total students served over 16,000 hours. Our traditional Student Awards Ceremony was converted into an online celebration during a Board meeting due to the pandemic. Yet we were still able to recognize the Students of the Year for each of our programs.

### *Center Tours and Open House*

With the shift in class programming timelines, our sophomores from the comprehensive high schools were scheduled for a tour of the EAROP Center in the Fall of 2019. Approximately 2,000 students from our EAROP partner schools visited the campus. These tours and open house events allow students to see classes in progress, ask questions about the program and request additional information about the courses. Tours enable 10<sup>th</sup> graders to learn about the EAROP campus and familiarize themselves with the EAROP programs they could enroll in as Juniors and Seniors. Current EAROP students take on the role of tour guides as they facilitated students through each class.

To further add value to the member districts, EAROP serves as the fiscal lead for Career Technical Education grants:

- EAROP is the lead for the CTE Incentive Grant. This is an annual grant application process in which the EAROP member districts have agreed to EAROP acting as the fiscal lead.
- EAROP is the lead for the Strong Workforce Program. This is an annual competitive grant in which the EAROP has served as the lead on behalf of the member districts. The EAROP has been successful in applying for this grant each year of the two years it has been available.

### **Business and Finance**

The 2019-2020 Financial Report includes the documentation of all fiscal transactions of the EAROP. It presents EAROP's financial position for the period July 1, 2019 through June 30, 2020. Following notes and comments compare and explain noteworthy fiscal observations and facts regarding the 2019-2020.

## **Revenues**

Funding for the EAROP comes from three sources:

- Partner districts
- State grants
- Federal grants

The majority of the funding comes from our four partner districts: Castro Valley, Hayward, San Leandro and San Lorenzo Unified School Districts. Under the old Average Daily Attendance (ADA) model, ADA generated by the students enrolled in EAROP was split between the districts and the EAROP. With the creation of the Local Control Funding Formula (LCFF), EAROP ADA funds were folded into the base allocation of the partner districts and it was up to each district to decide how to use these funds. All four districts elected to continue funding the EAROP at the 2008-2009 level with the agreement to pass on any state COLA received to the EAROP. To provide additional support for the implementation of Career Technical Education (CTE) among the four member districts, the EAROP continued to identify and apply for grants in support of CTE.

### *Federal Revenue*

There are two Federal Grant programs in which EAROP is a partner.

Cal State East Bay has been the fiscal lead for both the first and second round of the Promise Neighborhood grants. The second wave of Hayward Promise Neighborhoods (HPN) program that started in January 2018 continues into the 2019-2020 school year. This is a five-year grant that will continue through the 2021-2022 school year.

Additionally, we have a grant from the Alameda County Workforce Development Board to support the implementation of the Workforce Innovation Opportunity Act (WIOA) program. This is a multiyear grant that sunsets in 2020-2021. The applicable for the grant will be released in the 2020-21 school year and we intend to reapply.

### *State Revenue*

State revenue is derived from four main sources:

#### **CTE Incentive Grant**

For fiscal year 2019-2020, EAROP was approved for \$1,485,596.62 for the Career Tech Education Incentive Grant (CTEIG) on behalf of the member districts.

## **Workability**

EAROP continues to receive funding from Project Workability that supports students with learning needs transition from school to the workplace.

## **K12 Strong Workforce Program**

The K12 Strong Workforce Program is part of the Chancellor's Office Strong Workforce Program. This is an annual competitive grant program in which you have 30 months to implement your grant deliverable. EAROP is currently the fiscal lead for the three SWP grants in partnership with our district.

## **Direct Support Professional Program**

The Direct Support Professional (DSP) program is a statewide training program required of adults working in assisted living facilities. EAROP has contracted with Fresno County Office of Education to continue the program that is now being managed by Adult Education.

## *Adult Education Fund*

This is a fourth year of Adult Education Fund. The EAROP assumed the (CCTC) Electrical Trainee Program on October 1, 2016. The assumption increased the Adult Programs enrollment by 500 students. The Electrical Trainee program is a fee-based program with two fee schedules: \$500 per trimester for the evening program, and \$5,400 for the 6 month Accelerated Day Program. CCTC was an approved provider for "the Electrical Trainee Program" School #109. Completion of this entire program satisfied the Division of Apprenticeship Standards Curriculum Standards in whole, and the Electrician Trainee becomes eligible to take the California General Electrician Exam. The Electrical Trainee Program is an excellent complement to the initial Adult Programs' course offerings: Clinical Medical Assisting (CMA), Dental Assisting, and Welding.

The adult Apprenticeship Program revenue continues to increase and EAROP also continues to partner with Associated Builders and Contractors. In 2018-2019, EAROP added another partner, Northern California Elevator Industry Joint Apprenticeship and Training Committee to distribute the additional RSI hours given by the State. The State increased the rate and per hour funding for this program. This program was transferred to the Adult Education fund in 2016-2017 because this caters to the adult education population.

### **Economic Factors and Next Year's Budgets and Rates**

In considering the EAROP Budget for the 2020-2021 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Members of the JPA from the four member districts have agreed to continue to fund the EAROP at the same level plus any COLA given by the State.
2. HPN Federal grant started in January 2017 for the next five years.
3. Fifth year of CTEIG state grant wherein EAROP is the lead of this consortium.
4. New on-going CTEIG funding per Governor's approved budget
5. New on-going Workforce development funding thru CCC per Governor's approved budget
6. Interest was calculated per ACOE report in investments.

Expenditures are based on the following forecasts:

1. STRS and CalPERS corresponding increases per SSC dashboard.
2. Increase in Transportation costs for students' bus from and to the EAROP center.
3. Salaries and benefits include only step and column increases.
4. Sub agreements with member districts and CTEIG grants Work Based learning.

### **Contacting the EAROP's Financial Management**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the EAROP's finances and to show the EAROP's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Fiscal Services Administrator, at the Eden Area Regional Occupational Program; 26316 Hesperian Blvd, Hayward, Ca. 94545, or e-mail at [aoum@edenrop.org](mailto:aoum@edenrop.org).

## Eden Area Regional Occupational Program

## Statement of Net Position

June 30, 2020

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 10,282,730
Receivables	1,385,688
Prepaid expenses	2,536
Capital assets, net of accumulated depreciation	<u>2,972,781</u>
Total assets	<u>14,643,735</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	2,329,001
Deferred outflows of resources related to OPEB	<u>85,080</u>
Total deferred outflows of resources	<u>2,414,081</u>
Liabilities	
Accounts payable	1,000,121
Unearned revenue	635,894
Noncurrent portion of long-term obligations other than pensions	55,657
Noncurrent portion of net other post employment benefit plan liability	49,362
Noncurrent portion of aggregate net pension liability	<u>8,202,165</u>
Total liabilities	<u>9,943,199</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	1,121,490
Deferred inflows of resources related to OPEB	<u>9,426</u>
Total deferred inflows of resources	<u>1,130,916</u>
Net Position	
Net investment in capital assets	2,972,781
Restricted for	
Educational programs	189,405
Unrestricted	<u>2,821,515</u>
Total net position	<u><u>\$ 5,983,701</u></u>

Eden Area Regional Occupational Program  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2020

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 8,566,336	\$ 336,369	\$ 2,551,208	\$ (5,678,759)
Instruction-related services				
Supervision of instruction	776,162	114,213	228,911	(433,038)
Instructional library, media, and technology	53,534	41,244	4,234	(8,056)
School site administration	1,080,515	155,235	120,915	(804,365)
Pupil services				
Home-to-school transportation	604,512	-	-	(604,512)
All other pupil services	384,921	-	104,793	(280,128)
General administration				
Centralized data processing	114,063	-	-	(114,063)
All other general administration	1,224,952	-	-	(1,224,952)
Plant services	511,114	31,727	3,257	(476,130)
Total governmental activities	<u>\$ 13,316,109</u>	<u>\$ 678,788</u>	<u>\$ 3,013,318</u>	<u>(9,624,003)</u>
General Revenues and Subventions				
Federal and State aid not restricted to specific purposes				313,010
Interest and investment earnings				250,517
Interagency revenues				7,791,158
Miscellaneous				483,032
Subtotal, general revenues				<u>8,837,717</u>
Change in Net Position				(786,286)
Net Position - Beginning				<u>6,769,987</u>
Net Position - Ending				<u>\$ 5,983,701</u>

Eden Area Regional Occupational Program

Balance Sheet - Governmental Funds

June 30, 2020

	Major Funds		Total Governmental Funds
	General Fund	Special Reserve Capital Outlay Fund	
<b>Assets</b>			
Deposits and investments	\$ 7,099,662	\$ 3,183,068	\$ 10,282,730
Receivables	1,371,872	13,816	1,385,688
Due from other funds	81,599	-	81,599
Prepaid expenses	2,536	-	2,536
<b>Total assets</b>	<b>\$ 8,555,669</b>	<b>\$ 3,196,884</b>	<b>\$ 11,752,553</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 951,156	\$ 48,965	\$ 1,000,121
Due to other funds	-	81,599	81,599
Unearned revenue	635,894	-	635,894
<b>Total liabilities</b>	<b>1,587,050</b>	<b>130,564</b>	<b>1,717,614</b>
<b>Fund Balances</b>			
Nonspendable	17,536	-	17,536
Restricted	189,405	-	189,405
Assigned	6,075,871	3,066,320	9,142,191
Unassigned	685,807	-	685,807
<b>Total fund balances</b>	<b>6,968,619</b>	<b>3,066,320</b>	<b>10,034,939</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,555,669</b>	<b>\$ 3,196,884</b>	<b>\$ 11,752,553</b>

Eden Area Regional Occupational Program  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2020

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Total Fund Balance - Governmental Funds		\$ 10,034,939
<p>Amounts Reported for Governmental Activities in the          Statement of Net Position are Different Because:</p>		
<p>Capital assets used in governmental activities are not financial          resources and, therefore, are not reported as assets in governmental          funds.</p>		
The cost of capital assets is	\$ 5,237,439	
Accumulated depreciation is	<u>(2,264,658)</u>	
Net capital assets		2,972,781
<p>The difference between projected and actual earnings on pension and          OPEB plan investments are not recognized on the modified accrual          basis, but are recognized on the accrual basis as an adjustment to          pension expense.</p>		
		(1,130,916)
<p>The differences between expected and actual experience in the          measurement of the total pension and OPEB liability, projected and          actual earnings, and changes in assumptions are not recognized on the          modified accrual basis, but are recognized on the accrual basis over          the expected average remaining service life of members receiving          pension benefits.</p>		
		2,414,081
<p>Long-term liabilities, including bonds payable, are not due and payable          in the current period and, therefore, are not reported as liabilities in          the funds.</p>		
<p>Long-term liabilities at year end consist of:</p>		
Compensated absences (vacations)	(55,657)	
Other postemployment benefits (OPEB)	(49,362)	
Net aggregate pension liability	<u>(8,202,165)</u>	
Total long-term liabilities		<u>(8,307,184)</u>
Total net position - governmental activities		<u><u>\$ 5,983,701</u></u>

Eden Area Regional Occupational Program  
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds  
Year Ended June 30, 2020

	Major Funds		Total Governmental Funds
	General Fund	Special Reserve Capital Outlay Fund	
<b>Revenues</b>			
Federal sources	\$ 355,164	\$ -	\$ 355,164
Other state sources	2,414,183	-	2,414,183
Other local sources	9,635,170	95,493	9,730,663
<b>Total revenues</b>	<b>12,404,517</b>	<b>95,493</b>	<b>12,500,010</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	8,242,346	-	8,242,346
Instruction-related activities			
Supervision of instruction	717,354	-	717,354
Instructional library, media and technology	46,604	-	46,604
School site administration	1,011,246	-	1,011,246
Pupil services			
Home-to-school transportation	580,216	-	580,216
All other pupil services	363,659	-	363,659
General administration			
Data processing	110,912	-	110,912
All other general administration	1,153,653	-	1,153,653
Plant services	487,691	9,450	497,141
Facility acquisition and construction	-	1,123,330	1,123,330
<b>Total expenditures</b>	<b>12,713,681</b>	<b>1,132,780</b>	<b>13,846,461</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(309,164)</b>	<b>(1,037,287)</b>	<b>(1,346,451)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	165,910	-	165,910
Transfers out	-	(165,910)	(165,910)
<b>Net Financing Sources (Uses)</b>	<b>165,910</b>	<b>(165,910)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(143,254)</b>	<b>(1,203,197)</b>	<b>(1,346,451)</b>
<b>Fund Balances - Beginning of Year</b>	<b>7,111,873</b>	<b>4,269,517</b>	<b>11,381,390</b>
<b>Fund Balances - End of Year</b>	<b>\$ 6,968,619</b>	<b>\$ 3,066,320</b>	<b>\$ 10,034,939</b>

## Eden Area Regional Occupational Program

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2020

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Total Net Change in Fund Balances - Governmental Funds \$ (1,346,451)

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (219,425)	
Capital outlays	<u>1,154,973</u>	
Net expense adjustment		935,548

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used. (13,469)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (400,707)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. 38,793

Change in net position of governmental activities \$ (786,286)

Eden Area Regional Occupational Program  
Statement of Net Position – Fiduciary Funds  
June 30, 2020

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	<u>Agency Funds</u>
Assets	
Deposits and investments	<u>\$    49,064</u>
Liabilities	
Due to student groups	<u>\$    49,064</u>

**Note 1 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The Eden Area Regional Occupational Program (EAROP) was formed in 1971 under the laws of the State of California. The EAROP was formed by a joint powers agreement among the following School districts: Castro Valley Unified School District, San Leandro Unified School District, and San Lorenzo Unified School District. Hayward Unified School District joined the EAROP on January 1, 1991. The purpose of the EAROP is to provide career preparation and training to youths and adults residing in the member districts that formed the joint powers entity.

The EAROP is funded by each participating member district. The EAROP has the responsibility to develop, oversee and evaluate the course material presented.

The EAROP is governed by an appointed board and maintains its own paid operational staff. The board is comprised of one member selected by each participating district's governing board. The EAROP is fiscally responsible for its own operation, major financing arrangements and contracts. Its significant accounting policies, as detailed below, are the same as for any independent California local educational agency.

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 EAROP consists of all funds, departments, boards, and agencies that are not legally separate from EAROP. For EAROP, this includes general operations and student related activities of EAROP.

**Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The EAROP's funds are grouped into two broad fund categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the EAROP's major funds:

**Major Governmental Funds**

**General Fund** The General Fund is the chief operating fund for all Local Education Agencies (LEAs). It is used to account for the ordinary operations of the EAROP. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as a special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically Fund 11, Adult Education Fund and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$246,254.

**Capital Project Funds** The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds). The EAROP maintains the following capital project fund:

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the EAROP's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The EAROP only has one fiduciary fund, which is an agency fund.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The EAROP's agency fund accounts for student body activities (ASB).

#### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each of the governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The EAROP does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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 the 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 EAROP. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other covenants or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the EAROP. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the EAROP.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The EAROP considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

**Unearned Revenue**

Unearned revenues arise when resources are received by the EAROP before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the EAROP has a legal claim to the resources, the liability for earned revenue is removed from the balance sheet and the revenue is recognized.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures.

**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 pool are determined by the program sponsor.

**Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the EAROP. The EAROP maintains a capitalization threshold of \$5,000. The EAROP does not possess any infrastructure. 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, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 9 years; equipment and furniture, 5 to 20 years.

**Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the EAROP's financial statements. However, credit for unused sick leave is applicable to all classified employees who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

**Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide 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 liabilities of the governmental funds.

However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The EAROP reports deferred outflows of resources for pension and OPEB related items. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The EAROP reports deferred inflows of resources for pension and OPEB related items.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the EAROP Plan and additions to/deductions from the EAROP Plan have been determined on the same basis as they are reported by the EAROP Plan. For this purpose, the EAROP Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

**Fund Balances - Governmental Funds**

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

**Non-spendable** - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the EAROP. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The EAROP currently does not have any committed funds.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the EAROP's adopted policy, only the governing board or the superintendent may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

**Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the EAROP considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the EAROP considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

**Minimum Fund Balance Policy**

The EAROP has a minimum fund balance policy for the General Fund in order to protect the EAROP against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than six percent of General Fund expenditures and other financing uses.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of 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 EAROP has no capital asset related debt outstanding as of June 30, 2020. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the EAROP or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The EAROP first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$189,405 of restricted net position.

**Interfund Activity**

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

**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.

**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 of Alameda bills and collects the taxes on behalf of the EAROP. Local property tax revenues are recorded when received.

**Change in Accounting Principles**

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished 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 effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*.
- Statement No. 84, *Fiduciary Activities*.
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.
- Statement No. 90, *Majority Equity Interests*.
- Statement No. 91, *Conduit Debt Obligations*.
- Statement No. 92, *Omnibus 2020*.
- Statement No. 93, *Replacement of Interbank Offered Rates*.
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*.
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*.
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*.
- Implementation Guide No. 2019-3, *Leases*.

The provisions of this Statement have been implemented as of June 30, 2020.

### **New Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the EAROP's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the EAROP's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the EAROP's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the EAROP's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement 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. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the EAROP's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the EAROP's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the EAROP's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the EAROP's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the EAROP's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the EAROP's financial statements have not yet been determined.

## Note 2 - Deposits and Investments

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental Activities	\$ 10,282,730
Fiduciary Funds	49,064
	<u>49,064</u>
Total deposits and investments	<u>\$ 10,331,794</u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on Hand and in Banks	\$ 105,408
Cash in Revolving	15,000
Investments	10,211,386
	<u>10,211,386</u>
Total deposits and investments	<u>\$ 10,331,794</u>

### Policies and Practices

The EAROP 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; and collateralized mortgage obligations.

**Investment in County Treasury** - The EAROP is considered to be an involuntary participant in an external investment pool as the EAROP is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code Section 41001*). The fair value of the EAROP's investment in the pool is reported in the accounting financial statements at amounts based upon the EAROP'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 Treasury, which is recorded on the amortized cost basis.

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

### 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 EAROP manages its exposure to interest rate risk by investing in the County Pool and/or having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Weighted Average Maturity**

The EAROP monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the EAROP's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity
County Investment Pool	\$ 10,211,386	674 days

**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 EAROP's investments in the County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2020.

**Note 3 - Receivables**

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Capital Outlay Fund	Total
Federal Government			
Categorical aid	\$ 137,221	\$ -	\$ 137,221
State Government			
Categorical aid	96,290	-	96,290
Local Government			
Apportionment from Districts			
Interest	31,238	13,816	45,054
Other local sources	1,107,123	-	1,107,123
Total	\$ 1,371,872	\$ 13,816	\$ 1,385,688

**Note 4 - Capital Assets**

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 1,447,940	\$ -	\$ (1,447,940)	\$ -
Total Capital Assets Not Being Depreciated	<u>1,447,940</u>	<u>-</u>	<u>(1,447,940)</u>	<u>-</u>
Capital Assets Being Depreciated				
Buildings and improvements	\$ 1,486,986	\$ 2,571,270	\$ -	\$ 4,058,256
Furniture and equipment	1,147,540	31,643	-	1,179,183
Total Capital Assets Being Depreciated	<u>2,634,526</u>	<u>2,602,913</u>	<u>-</u>	<u>5,237,439</u>
Less Accumulated Depreciation				
Buildings and improvements	(1,264,267)	(125,822)	-	(1,390,089)
Furniture and equipment	(780,966)	(93,603)	-	(874,569)
Total accumulated depreciation	<u>(2,045,233)</u>	<u>(219,425)</u>	<u>-</u>	<u>(2,264,658)</u>
Total capital asset, net	<u>\$ 2,037,233</u>	<u>\$ 2,383,488</u>	<u>\$ (1,447,940)</u>	<u>\$ 2,972,781</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 143,690
Supervision of instruction	11,379
School site administration	13,456
Home-to-school transportation	11,138
Data Processing Services	2,129
All other pupil services	6,903
All other general administration	22,066
Plant Maintenance and Operations	8,664
Total depreciation expenses governmental activities	<u>\$ 219,425</u>

**Note 5 - Interfund Transactions**

As of June 30, 2020, the EAROP has \$81,599 due from Special Reserve for Capital Outlay Fund to the General Fund to reimbursement lease payments. During the year, the EAROP transferred \$165,910 from Special Reserve for Capital Outlay Fund to General Fund to reimburse facility costs.

**Note 6 - Accounts Payable**

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

	General Fund	Special Reserve Capital Outlay Fund	Total Governmental Funds
Vendor Payables	\$ 909,443	\$ 48,965	\$ 958,408
Salaries and Benefits	41,713	-	41,713
Total	<u>\$ 951,156</u>	<u>\$ 48,965</u>	<u>\$ 1,000,121</u>

**Note 7 - Unearned Revenue**

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

	General Fund
State Awards	\$ 83,300
Local Awards	552,594
Total	<u>\$ 635,894</u>

**Note 8 - Long-Term Liabilities****Summary**

The changes in the EAROP's long-term liabilities at June 30, 2020 consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Accumulated Vacation - Net	<u>\$ 42,188</u>	<u>\$ 13,469</u>	<u>\$ -</u>	<u>\$ 55,657</u>

Payments of accumulated vacation are paid by the funds for which the employees worked.

**Note 9 - Net Other Post Employment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2020, the EAROP reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
EAROP Plan	<u>\$ 49,362</u>	<u>\$ 85,080</u>	<u>\$ 9,426</u>	<u>\$ (8,980)</u>

The details of each plan are as follows:

**EAROP Plan****Plan Administration**

The EAROP provides healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The EAROP's policy regarding the allocation of the plan's invested assets is established and may be amended by EAROP management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines.

**Plan Membership**

At July 1, 2019, membership consisted of 8 inactive plan members or beneficiaries currently receiving benefit payments and 22 active plan members.

**Benefits Provided**

Employees who become eligible for retirement under CalPERS or CalSTRS are eligible to continue on the EAROP's medical plans under PEMHCA. The EAROP contribution towards retirees is the minimum employer contribution under the unequal method. The minimum employer contribution for 2019 and 2020 is \$136 and \$139, respectively. The unequal method is used to phase in benefit payments. The percentage of benefit paid is increased by 5% each year until the total benefit amount is reached, after 20 years. The EAROP joined PEMHCA in 2002 and currently pays 90% of the minimum employer contribution for 2019.

**Contributions**

The contribution requirements of Plan members and the EAROP are established and amended by the EAROP. The required contribution is based on projected pay-as-you-go financing requirements. The EAROP has an irrevocable trust account with CERBT (an agent-multi-employer plan).

**Net OPEB Liability**

The EAROP's Net OPEB Liability was measured as of June 30, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2019 (June 30, 2019). Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

*Actuarial Assumptions*

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

Actuarial cost method	Entry Age, Level Percent of Pay
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Inflation rate	3.0 percent
Salary increases	3.0 percent
Investment rate of return	6.0 percent, net of OPEB plan investment expense
Health care cost trend rates	6.0 percent for 2019; 5.90 percent for 2020; and decreasing 0.10 percent per year to an ultimate rate of 5.00 percent for 2029 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Rate of Return</u>
Global ex-U.S. equity	40%	5.5%
U.S. fixed	43%	1.5%
Treasury inflation protected securities (TIPS)	5%	1.2%
Real estate investment trusts	8%	3.7%
Commodities	4%	0.6%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6 percent. The projection of cash flows used to determine the discount rate assumed that the EAROP contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in the Net OPEB Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2018	\$ 655,433	\$ 695,619	\$ (40,186)
Service Cost	47,249	-	47,249
Interest	41,311	-	41,311
Employer Contributions	-	28,734	(28,734)
Differences between expected and actual experience	72,108	-	72,108
Expected investment income	-	41,737	(41,737)
Benefit payments	(28,734)	(28,734)	-
Differences between actual and expected return on assets	-	8,177	(8,177)
Changes of in assumptions	7,528	-	7,528
Net change in total OPEB liability	<u>139,462</u>	<u>49,914</u>	<u>89,548</u>
Balance at June 30, 2019	<u>\$ 794,895</u>	<u>\$ 745,533</u>	<u>\$ 49,362</u>

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability of the EAROP, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability (Assets)
1% decrease (5.00%)	\$ 144,625
Current discount rate (6.00%)	49,362
1% increase (7.00%)	(30,071)

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

The following presents the net OPEB liability of the EAROP, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Net OPEB Liability (Assets)
1% decrease (5%)	\$ (34,874)
Current healthcare cost trend rate (6%)	49,362
1% increase (7%)	150,714

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

For the year ended June 30, 2020, the EAROP recognized OPEB expense of (\$8,980). At June 30, 2020, the EAROP's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 24,867	\$ -
Differences between Expected and actual experience	54,521	-
Differences between projected and actual return investments	-	9,426
Changes in assumptions	5,692	-
	\$ 85,080	\$ 9,426
Total	\$ 85,080	\$ 9,426

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

Year Ended, June 30	Deferred Outflows (Inflows) of Resources
2021	\$ 16,346
2022	16,346
2023	17,788
2024	307
Total	\$ 50,787

**Note 10 - Fund Balances**

	General Fund	Special Reserve Capital Outlay Fund	Total
Nonspendable			
Revolving cash	\$ 15,000	\$ -	\$ 15,000
Prepaid expenditures	2,536	-	2,536
Total nonspendable	<u>17,536</u>	<u>-</u>	<u>17,536</u>
Restricted			
Legally restricted programs	189,405	-	189,405
Total restricted	<u>189,405</u>	<u>-</u>	<u>189,405</u>
Assigned			
Technology	350,000	-	350,000
Cash flow reserve	3,442,913	-	3,442,913
Vacation liability	55,657	-	55,657
Maintenance update and facilities improvement	500,000	-	500,000
Safety protection-supplies & protective gears	350,000	-	350,000
Distant Learning supplies & service	300,000	-	300,000
Increase bus routes-transportation	600,000	-	600,000
STRS & PERS increases	83,000	-	83,000
Instructional materials	150,000	-	150,000
Other	244,301	3,066,320	3,310,621
Total assigned	<u>6,075,871</u>	<u>3,066,320</u>	<u>9,142,191</u>
Unassigned			
Reserve for economic uncertainties	685,807	-	685,807
Total unassigned	<u>685,807</u>	<u>-</u>	<u>685,807</u>
Total	<u>\$ 6,968,619</u>	<u>\$ 3,066,320</u>	<u>\$ 10,034,939</u>

**Note 11 - Risk Management****Property and Liability**

The EAROP is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the EAROP contracted with East Bay Schools Insurance Group (EBSIG) for property and liability insurance coverage, which EBSIG goes through Northern California Regional Liability Fund (Nor-Cal ReLIEF) for excess coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

### Workers' Compensation

For fiscal year 2020, the EAROP participated in the Alameda County School Insurance Group (ACSIG), an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the EAROP by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating member is calculated as one experience and a common premium rate is applied to all members in the ACSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participating school agency. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG.

### Employee Medical Benefits

The EAROP has contracted with CalPERS and administered through Alameda County Office of Education to provide employee health benefits. Rates are set through an annual calculation process. The EAROP pays an annual stipend, spread over monthly, to eligible employees, to pay for menu items of medical plans and dependent coverage, each of which has its own cost. If an employee enrolls into a plan that exceeds the monthly stipend, it is deducted from an employee's gross pay. Employees can also waive the medical benefits if they have coverage elsewhere and keep the stipends.

### Note 12 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the EAROP reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflow of Resources	Collective Deferred Inflow of Resources	Collective Pension Expense
CalSTRS	\$ 5,211,110	\$ 1,653,089	\$ 550,202	\$ 436,660
CalPERS	2,991,055	675,912	571,288	286,195
Total	\$ 8,202,165	\$ 2,329,001	\$ 1,121,490	\$ 722,855

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

**Plan Description**

The EAROP contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The EAROP contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

# Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2020

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

### Contributions

Required member, EAROP and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the EAROP's total contributions were \$545,177.

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

At June 30, 2020, the EAROP reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the EAROP. The amount recognized by the EAROP 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 EAROP were as follows:

Total net pension liability, including State share:	
ROP's proportionate share of net pension liability	\$ 5,211,110
State's proportionate share of the net pension liability associated with the ROP	2,843,008
Total	\$ 8,054,118

The net pension liability was measured as of June 30, 2019. The EAROP's proportion of the net pension liability was based on a projection of the EAROP's long-term share of contributions to the pension plan relative to the projected contributions of all participating members and the State, actuarially determined. The EAROP's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0058 percent and 0.0057 percent, resulting in a net increase in the proportionate share of 0.0001 percent.

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the EAROP recognized pension expense of \$436,660. In addition, the EAROP recognized pension expense and revenue of \$423,385 for support provided by the State. At June 30, 2020, the EAROP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 545,177	\$ -
Change in proportionate share of net pension liability	435,666	202,625
Difference between projected and actual earnings on pension plan investments	-	200,734
Differences between expected and actual experience in the measurement of the total pension liability	13,155	146,843
Changes of assumptions	659,091	-
Total	\$ 1,653,089	\$ 550,202

The deferred outflows/(inflows) of resources related to pensions resulting from EAROP contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ (20,248)
2022	(159,358)
2023	(33,086)
2024	11,958
Total	\$ (200,734)

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2020

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and EAROP's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 208,304
2022	208,304
2023	179,668
2024	189,610
2025	21,550
Thereafter	(48,992)
Total	\$ 758,444

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (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 assumptions 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%
Absolute Return/Risk Mitigating Strategies	9%	1.80%
Inflation sensitive	4%	-3.30%
Cash/liquidity	2%	-0.40%

#### 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 the contributions from plan members and employers will be made at statutory contribution rates. 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 occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the EAROP's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 7,759,774
Current discount rate (7.10%)	\$ 5,211,110
1% increase (8.10%)	\$ 3,097,782

**California Public Employees Retirement System (CalPERS)****Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The EAROP is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total EAROP contributions were \$256,755.

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

As of June 30, 2020, the EAROP reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$2,991,055. The net pension liability was measured as of June 30, 2019. The EAROP's proportion of the net pension liability was based on a projection of the EAROP's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The EAROP's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0103 percent and 0.0116 percent, resulting in a net decrease in the proportionate share of 0.0013 percent.

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the EAROP recognized pension expense of \$286,195. At June 30, 2020, the EAROP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 256,755	\$ -
Net change in proportionate share of net pension liability	59,503	543,545
Difference between projected and actual earnings on pension plan investments	-	27,743
Differences between expected and actual experience in the measurement of the pension liability	217,270	-
Changes of assumptions	142,384	-
Total	\$ 675,912	\$ 571,288

The deferred outflows/(inflows) of resources related to pensions resulting from EAROP contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 27,384
2022	(54,701)
2023	(8,289)
2024	7,863
Total	\$ (27,743)

## Eden Area Regional Occupational Program

Notes to Financial Statements

June 30, 2020

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and EAROP's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 57,369
2022	(135,072)
2023	(42,442)
2024	(4,243)
Total	\$ (124,388)

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ 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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the EAROP's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 4,311,409
Current discount rate (7.15%)	\$ 2,991,055
1% increase (8.15%)	\$ 1,895,730

**Tax Deferred Annuity/Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The EAROP has elected to use the Social Security as its alternative plan. Contributions made by the EAROP and an employee vest immediately. The EAROP contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the EAROP. These payments consist of State General Fund contributions to CalSTRS in the amount of \$297,350 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded in the calculation of available reserves, but have been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2019–2020 contribution on-behalf of member employers of \$1.1 billion for CalSTRS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the General Fund –Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule.

**Note 13 - Related Parties**

The EAROP is operated under a Joint Power Agreement between the Castro Valley Unified School District, Hayward Unified School District, San Leandro Unified School District, and the San Lorenzo Unified School District. Revenues are based on the annual average daily attendance of the participants from these districts multiplied by the appropriate revenue apportionment per ADA. Upon receipt of the revenues, the districts make transfers to the EAROP. The total revenues transferred from the districts were \$7,791,158 for 2020. In addition, the EAROP contracts with Hayward Unified School District for the lease of its facilities. The lease term renewed on July 1, 2017 for a period of five years from July 1, 2017 to June 30, 2022 and the lease payment is 1 percent per prior year's LCFF revenue. The lease payment that EAROP paid to Hayward Unified School District for 2020 was approximately \$74,000.

Future minimum lease payments under this agreement are estimated as follows:

Year Ending June 30,	Lease Payment
2021	\$ 75,452
2022	75,452
Total	<u>\$ 150,904</u>

#### **Note 14 - Commitments and Contingencies**

##### **Grants**

The EAROP 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 General 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 EAROP at June 30, 2020.

##### **Litigation**

The EAROP is not currently a party to any legal proceedings.

#### **Note 15 - Participation in Public Entity Risk Pools, Joint Power Authorities and Other Related Party Transactions**

The EAROP is a member of the Alameda County School Insurance Group (ACSIG), and the East Bay School Insurance Group (EBSIG) public entity risk pools. The EAROP pays an annual premium to each entity for its workers' compensation, property and liability coverage. The relationships between the EAROP and the public entity risk pools are such that they are not component units of the EAROP for financial reporting purposes.

These entities 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 entities and the EAROP are included in these statements. Audited financial statements are generally available from the respective entities.

The EAROP has appointed one board member and alternate to the governing board of East Bay Schools Insurance Group and ACSIG.

During the year ended June 30, 2020, the EAROP made payments of \$89,891 and \$45,504 to ACSIG and EBSIG, public entity risk pools, respectively.

**Note 16 - Restatement**

The EAROP's investment in California Employers' Retirement Trust (CERBT) was incorrectly included in EAROP's financial statements as a trust fund in the prior year. As a result, the beginning net position of the fiduciary fund financial statement was decreased by \$746,111.

The following table summarizes the restatements to the beginning net position as of July 1, 2019.

## Fiduciary Trust Fund

Net Position - Beginning	\$ 746,111
Removed Trust Fund	<u>(746,111)</u>
Net position - beginning as restated	<u><u>\$ -</u></u>

The effect of the restatement to remove the trust fund was that the prior year change in fiduciary net position was overstated by \$578.

**Note 17 - Subsequent Event**

Subsequent to year-end, the EAROP has been negatively impacted by the effects of the world-wide coronavirus pandemic. The EAROP is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact of the EAROP's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Required Supplementary Information  
June 30, 2020

# Eden Area Regional Occupational Program

Eden Area Regional Occupational Program

Budgetary Comparison Schedule – General Fund

June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Federal sources	\$ 359,327	\$ 359,327	\$ 355,164	\$ (4,163)
Other state sources	2,552,193	2,529,997	2,414,183	(115,814)
Other local sources	8,932,372	10,478,071	9,635,170	(842,901)
<b>Total revenues<sup>1</sup></b>	<b>11,843,892</b>	<b>13,367,395</b>	<b>12,404,517</b>	<b>(962,878)</b>
<b>Expenditures</b>				
Current				
Certificated salaries	3,436,076	3,455,669	3,423,404	32,265
Classified salaries	1,300,925	1,321,420	1,251,395	70,025
Employee benefits	2,079,946	2,106,027	2,173,003	(66,976)
Books and supplies	302,290	499,101	377,624	121,477
Services and operating expenditures	5,201,014	6,654,458	5,456,612	1,197,846
Capital outlay	899,935	89,671	31,643	58,028
<b>Total expenditures<sup>1</sup></b>	<b>13,220,186</b>	<b>14,126,346</b>	<b>12,713,681</b>	<b>1,412,665</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,023,500	198,911	165,910	(33,001)
Transfers out	(33,000)	(33,000)	-	33,000
<b>Net Financing Sources (Uses)</b>	<b>990,500</b>	<b>165,911</b>	<b>165,910</b>	<b>(1)</b>
<b>Net Changes in Fund Balances</b>	<b>(385,794)</b>	<b>(593,040)</b>	<b>(143,254)</b>	<b>449,786</b>
<b>Fund Balances - Beginning of Year</b>	<b>7,111,873</b>	<b>7,111,873</b>	<b>7,111,873</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 6,726,079</b>	<b>\$ 6,518,833</b>	<b>\$ 6,968,619</b>	<b>\$ 449,786</b>

<sup>1</sup> Due to the consolidation of Fund 11, Adult Education Fund and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, and are not included in the original and final General Fund budgets. On behalf payments of \$297,350 are included in the actual revenues and expenditures, as well as in the budgeted amounts. However, on behalf payments of \$99,222 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Eden Area Regional Occupational Program  
Schedule of Changes in the EAROP's Net OPEB Liability and Related Ratios  
Year Ended June 30, 2020

	2020	2018
Service Cost	\$ 47,249	\$ 15,775
Interest	41,311	37,032
Change of benefit terms	-	-
Difference between expected and actual experience	72,108	-
Changes of assumptions	7,528	-
Benefit payments	(28,734)	(28,734)
Net change in total OPEB liability	139,462	24,073
Total OPEB Liability - beginning	655,433	631,360
Total OPEB Liability - ending	<u>\$ 794,895</u>	<u>\$ 655,433</u>
Plan fiduciary net position		
Contributions - employer	\$ 28,734	\$ 28,734
Net investment income	50,064	44,412
Benefit payments	(28,734)	(28,734)
Administrative expense	(150)	(534)
Net change in plan fiduciary net position	49,914	43,878
Plan fiduciary net position - beginning	695,619	611,126
Plan fiduciary net position - ending (b)	<u>\$ 745,533</u>	<u>\$ 655,004</u>
ROP's net OPEB (asset) - ending (a) - (b)	<u>\$ 49,362</u>	<u>\$ 429</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>94%</u>	<u>100%</u>
Covered payroll	<u>\$ 2,089,892</u>	<u>\$ 924,703</u>
EAROP's net OPEB liability as a percentage of covered payroll	<u>2%</u>	<u>0%</u>

Note: In the future, as data becomes available, ten years of information will be presented.

Eden Area Regional Occupational Program  
Schedule of the EAROP's Proportionate Share of the Net OPEB Liability  
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>						
EAROP's proportion of the net pension liability	0.0058%	0.0057%	0.0055%	0.0054%	0.0053%	0.0052%
EAROP's proportionate share of the net pension liability	\$ 5,211,110	\$ 5,280,664	\$ 5,097,295	\$ 4,273,797	\$ 3,583,085	\$ 3,049,843
State's proportionate share of the net pension liability associated with EAROP	<u>2,843,008</u>	<u>3,023,427</u>	<u>3,015,517</u>	<u>2,489,924</u>	<u>1,895,057</u>	<u>1,841,627</u>
Total	<u>\$ 8,054,118</u>	<u>\$ 8,304,091</u>	<u>\$ 8,112,812</u>	<u>\$ 6,763,721</u>	<u>\$ 5,478,142</u>	<u>\$ 4,891,470</u>
EAROP's covered payroll	<u>\$ 3,119,425</u>	<u>\$ 3,020,765</u>	<u>\$ 2,979,284</u>	<u>\$ 2,751,410</u>	<u>\$ 2,516,783</u>	<u>\$ 2,336,680</u>
EAROP's proportionate share of the net pension liability as a percentage of its covered payroll	<u>167.05%</u>	<u>174.81%</u>	<u>171.09%</u>	<u>155.33%</u>	<u>142.37%</u>	<u>130.52%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
<b>CalPERS</b>						
EAROP's proportion of the net pension liability	0.0103%	0.0116%	0.0132%	0.0115%	0.0112%	0.0175%
EAROP's proportionate share of the net pension liability	\$ 2,991,055	\$ 3,098,031	\$ 3,141,608	\$ 2,278,383	\$ 1,644,780	\$ 1,982,343
EAROP's covered payroll	<u>\$ 1,390,747</u>	<u>\$ 1,421,823</u>	<u>\$ 1,354,391</u>	<u>\$ 1,090,408</u>	<u>\$ 894,803</u>	<u>\$ 768,293</u>
EAROP's proportionate share of the net pension liability as a percentage of its covered payroll	<u>215.07%</u>	<u>217.89%</u>	<u>231.96%</u>	<u>208.95%</u>	<u>183.81%</u>	<u>258.02%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Eden Area Regional Occupational Program  
Schedule of the EAROP's Contributions  
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>						
Contractually required contribution	\$ 545,177	\$ 507,396	\$ 432,505	\$ 369,498	\$ 294,666	\$ 214,498
Contributions in relation to the contractually required contribution	<u>(545,177)</u>	<u>(507,396)</u>	<u>(432,505)</u>	<u>(369,498)</u>	<u>(294,666)</u>	<u>(214,498)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
EAROP's covered payroll	<u>\$ 3,188,170</u>	<u>\$ 3,119,425</u>	<u>\$ 3,020,765</u>	<u>\$ 2,979,284</u>	<u>\$ 2,751,410</u>	<u>\$ 2,516,782</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.27%</u>	<u>14.32%</u>	<u>12.40%</u>	<u>10.71%</u>	<u>8.52%</u>
<b>CalPERS</b>						
Contractually required contribution	\$ 256,755	\$ 238,020	\$ 220,790	\$ 178,393	\$ 125,221	\$ 106,867
Contributions in relation to the contractually required contribution	<u>(256,755)</u>	<u>(238,020)</u>	<u>(220,790)</u>	<u>(178,393)</u>	<u>(125,221)</u>	<u>(106,867)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
EAROP's covered payroll	<u>\$ 1,301,939</u>	<u>\$ 1,390,747</u>	<u>\$ 1,421,823</u>	<u>\$ 1,354,391</u>	<u>\$ 1,090,408</u>	<u>\$ 894,803</u>
Contributions as a percentage of covered payroll	<u>19.72%</u>	<u>17.11%</u>	<u>15.53%</u>	<u>13.17%</u>	<u>11.48%</u>	<u>11.94%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

**Note 1 - Purpose of Schedules****Budgetary Comparison Schedule**

The EAROP employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

**Schedule of Changes in the EAROP's Net OPEB Asset and Related Ratios**

This schedule presents information on the EAROP's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation.
- Changes in Assumptions – There were no changes in assumptions from the previous valuation.

**Schedule of the EAROP's Proportionate Share of the Net Pension Liability**

This schedule presents information on the EAROP's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the EAROP. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

**Schedule of EAROP Contributions**

This schedule presents information on the EAROP's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information  
June 30, 2020

# Eden Area Regional Occupational Program

**Organization**

The Eden Area Regional Occupational Program was established in 1971 and was formed by a joint powers agreement among the following school districts: Castro Valley Unified School District, San Leandro Unified School District, and San Lorenzo Unified School District. Hayward Unified School District joined the EAROP on January 1, 1991. The EAROP operates one school in the leased site from Hayward Unified School District at 26316 Hesperian Blvd, Hayward, California.

**Governing Board**

Member	Office	Term Expires
Jo A.S. Loss	President	2020
Dr. Robert Carlson	Vice President	2020
Peter Oshinski	Member	2021
Juan Campos	Member	2021

**Administration**

NAME	TITLE
Linda Granger	Superintendent/Clerk

Due the implementation of the Local Control Funding Formula (LCFF), the funding is provided to member districts for this program instead of to the EAROP and is maintained at the same level from fiscal year 2012-13. The EAROP is not required to report the ADA in an annual attendance report.

Eden Area Regional Occupational Program  
Reconciliation of Annual Financial and Budget Report with Adjusted Financial Statements  
Year Ended June 30, 2020

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

## Eden Area Regional Occupational Program

### Schedule of Financial Trends and Analysis

Year Ended June 30, 2020

	(Budget) 2021 <sup>1</sup>	2020	2019	2018
General Fund				
Revenues	\$ 13,572,801	12,173,855	\$ 12,970,557	\$ 13,928,966
Expenditures	13,787,793	12,317,109	14,266,383	14,508,131
Increase (Decrease) in Fund Balance	<u>\$ (214,992)</u>	<u>\$ (143,254)</u>	<u>\$ (1,295,826)</u>	<u>\$ (579,165)</u>
Ending Fund Balance	<u>\$ 6,753,627</u>	<u>\$ 6,968,619</u>	<u>\$ 7,111,873</u>	<u>\$ 8,407,699</u>
Available Reserves <sup>2</sup>	<u>\$ 760,013</u>	<u>\$ 685,807</u>	<u>\$ 791,550</u>	<u>\$ 1,131,563</u>
Available Reserves as a Percentage of Total Outgo <sup>3</sup>	<u>5.51%</u>	<u>5.57%</u>	<u>5.55%</u>	<u>7.80%</u>
Long Term Debt	<u>N/A</u>	<u>\$ 8,307,184</u>	<u>\$ 8,421,312</u>	<u>\$ 8,282,904</u>
K-12 Average Daily Attendance at Annual	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

The General Fund balance has decreased by \$1,439,080 over the past two years. The fiscal year 2020-2021 budget projects a further decrease of \$214,992 (3 percent). For the EAROP this size, the State recommends available reserves of at least six percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The EAROP has incurred operating deficits in the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term obligations have increased by \$24,280 over the past two years.

<sup>1</sup> Budget 2021 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

<sup>3</sup> On behalf payments have been excluded from the calculation of available reserves.

**Note 1 - Purpose of Schedules**

**Local Education Agency Organization Structure**

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

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the EAROP. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to the EAROP. This schedule provides information regarding the attendance of students at various grade levels and in different programs. This schedule is not applicable to EAROP.

**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 Unaudited Actual Financial Report to the audited financial statements.

**Schedule of Financial Trends and Analysis**

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



Independent Auditor's Reports  
June 30, 2020

# Eden Area Regional Occupational Program



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Governing Board  
Eden Area Regional Occupational Program  
Hayward, 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 Eden Area Regional Occupational Program (the EAROP) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Eden Area Regional Occupational Program's basic financial statements, and have issued our report thereon dated May 26, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the EAROP’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 the EAROP’s internal control. Accordingly, we do not express an opinion on the effectiveness of the EAROP’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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of financial statement findings as item 2020-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the EAROP'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*.

## **The EAROP's Response to Findings**

The EAROP's response to the finding identified in our audit is described in the accompanying schedule of financial statement findings. The EAROP's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 cursive script that reads "Eide Bailly LLP".

San Ramon, California  
May 26, 2021

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards** Not applicable

**State Awards** Not applicable

The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2020-001      Restatement of Fiduciary Fund Beginning Net Position (30000)

#### Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should also include consideration for the proper presentation of fund types as defined by Governmental Accounting Standards Board (GASB) Codification Section 1300 *Fund Account*.

#### Condition

The prior year financial statements contained certain errors that were discovered during the current year. The prior year financial statements incorrectly included an agent-multi-employer defined benefit other postemployment benefits plan as a trust fund. Accordingly, the beginning net position of the fiduciary fund financial statements has been restated to remove the trust fund.

#### Effect

Material audit adjustments were necessary to present the financial statements in accordance with Generally Accepted Accounting Principles.

#### Cause

The OPEB plan was incorrectly identified as a single employer plan rather than an agent multi-employer plan.

#### Recommendation

We recommend management improve controls over the financial statement preparation process to ensure all activities presented are correct.

#### Repeat Finding (Yes or No)

No.

#### Corrective Action Plan

Eden Area Regional Occupational Program agreed with the finding and the accompanying financial statements reflected this change.

None reported.

Eden Area Regional Occupational Program  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2020

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There were no audit findings reported in the prior year's schedule of financial statement findings.