

**MARIN COUNTY OFFICE OF EDUCATION  
COUNTY OF MARIN  
SAN RAFAEL, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2012**



MARIN COUNTY OFFICE OF EDUCATION

JUNE 30, 2012

---

TABLE OF CONTENTS

|                                                                                                                                                 | <u>Page</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <u>FINANCIAL SECTION</u>                                                                                                                        |             |
| Independent Auditor's Report                                                                                                                    | 1           |
| Management's Discussion and Analysis (Unaudited)                                                                                                | 3           |
| Basic Financial Statements:                                                                                                                     |             |
| Government-wide Financial Statements:                                                                                                           |             |
| Statement of Net Assets                                                                                                                         | 12          |
| Statement of Activities                                                                                                                         | 13          |
| Fund Financial Statements:                                                                                                                      |             |
| Balance Sheet - Governmental Funds                                                                                                              | 14          |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Statement of Net Assets                                                        | 15          |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances - Governmental Funds                                                       | 16          |
| Reconciliation of the Governmental Funds Statement of<br>Revenues, Expenditures, and Changes in Fund Balances<br>to the Statement of Activities | 17          |
| Statement of Net Assets - Proprietary Funds                                                                                                     | 18          |
| Statement of Revenues, Expenses, and Changes in<br>Net Assets - Proprietary Funds                                                               | 19          |
| Statement of Cash Flows - Proprietary Funds                                                                                                     | 20          |
| Statement of Net Assets - Fiduciary Funds                                                                                                       | 21          |
| Notes to the Basic Financial Statements                                                                                                         | 22          |
| <u>SUPPLEMENTARY INFORMATION SECTION</u>                                                                                                        |             |
| Schedule of Revenues, Expenditures, and Changes in Fund<br>Balances - Budget and Actual - County School Service Fund                            | 45          |

MARIN COUNTY OFFICE OF EDUCATION

JUNE 30, 2012

---

TABLE OF CONTENTS (CONTINUED)

|                                                                                                                                                                                                                                    | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <u>SUPPLEMENTARY INFORMATION SECTION (CONCLUDED)</u>                                                                                                                                                                               |             |
| Schedule of Revenues, Expenditures, and Changes in Fund<br>Balances - Budget and Actual - Special Education Pass-Through Fund                                                                                                      | 46          |
| Combining Statements:                                                                                                                                                                                                              |             |
| Combining Balance Sheet - Non-Major Governmental Funds                                                                                                                                                                             | 47          |
| Combining Statement of Revenues, Expenditures, and<br>Changes in Fund Balances - Non-Major Governmental Funds                                                                                                                      | 48          |
| Schedule of Funding Progress                                                                                                                                                                                                       | 49          |
| Organization/Board of Education/Administration                                                                                                                                                                                     | 50          |
| Schedule of Average Daily Attendance                                                                                                                                                                                               | 51          |
| Schedule of Instructional Time                                                                                                                                                                                                     | 52          |
| Schedule of Expenditures of Federal Awards                                                                                                                                                                                         | 53          |
| Reconciliation of Annual Financial and Budget Report<br>with Audited Financial Statements                                                                                                                                          | 54          |
| Schedule of Financial Trends and Analysis                                                                                                                                                                                          | 55          |
| Schedule of Charter Schools                                                                                                                                                                                                        | 56          |
| Notes to Supplementary Information                                                                                                                                                                                                 | 57          |
| <u>OTHER INDEPENDENT AUDITOR'S REPORTS SECTION</u>                                                                                                                                                                                 |             |
| Independent Auditor's Report on State Compliance                                                                                                                                                                                   | 59          |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> | 61          |
| Independent Auditor's Report on Compliance with<br>Requirements that could have a Direct and Material Effect<br>Effect on each Major Program and on Internal Control over<br>Compliance in Accordance with OMB Circular A-133      | 63          |

MARIN COUNTY OFFICE OF EDUCATION

JUNE 30, 2012

---

TABLE OF CONTENTS (CONCLUDED)

|                                                           | <u>Page</u> |
|-----------------------------------------------------------|-------------|
| <u>FINDINGS AND QUESTIONED COSTS SECTION</u>              |             |
| Schedule of Findings and Questioned Costs:                |             |
| Section I - Summary of Auditor's Results                  | 65          |
| Section II - Financial Statement Findings                 | 66          |
| Section III - Federal Award Findings and Questioned Costs | 67          |
| Section IV - State Award Findings and Questioned Costs    | 68          |
| Status of Prior Year Recommendations                      | 69          |



## FINANCIAL SECTION



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Marin County Office of Education  
San Rafael, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marin County Office of Education, as of and for the fiscal year ended June 30, 2012, which collectively comprise the County Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marin County Office of Education's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marin County Office of Education, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012 on our consideration of the Marin County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, the budgetary comparison information on pages 45 and 46, and schedule of funding progress on page 49 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marin County Office of Education's financial statements as a whole. The accompanying combining fund financial statements and supplementary schedules listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 14, 2012

**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

---

An overview of the Marin County Office of Education (County)'s financial activities for the fiscal year ended June 30, 2012, is presented in this discussion and analysis of the County's financial position and performance.

This Management Discussion and Analysis should be read in conjunction with the County's financial statements, including notes and supplementary information, which immediately follow this section.

**Financial Highlights**

- ◆ The County has a \$11.8 million fund balance in the unrestricted county school service fund.
- ◆ The County maintained reserves in the county school service fund are greater than the minimum reserves recommended by the state.

**Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County.

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the County's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on reporting the County's operations in more detail than the government-wide statements.

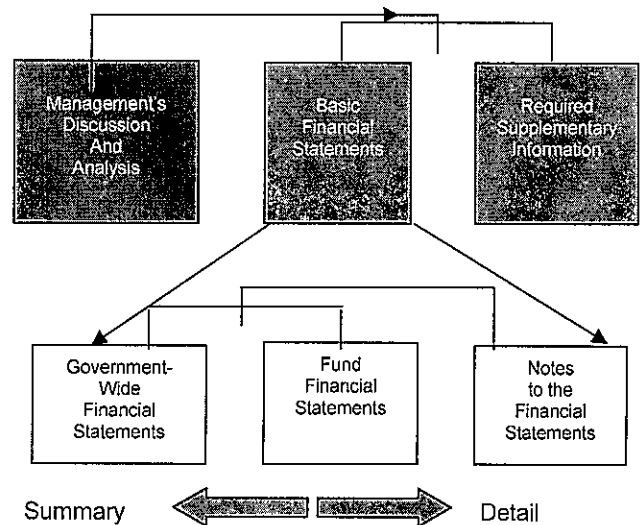
The fund financial statements are further broken down into three types:

- ◆ *Governmental fund statements*, that tell how basic services, such as regular and special education, were financed in the short-term, as well as what remains for future spending.
- ◆ *Proprietary fund statements*, offering short and long-term financial information about activities the County operates like a business, such as the Walker Creek Ranch fund.
- ◆ *Fiduciary fund statements*, providing information about the financial relationships in which the County acts solely as trustee or agent for the benefit of others to whom the resources belong.

**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the fiscal year. The diagram presented here shows how the various parts of this annual financial report are arranged and related to one another.

The chart below summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.



**Major Features of the Government-Wide and Fund Financial Statements**

|                                        | Government-Wide Statements                                                              | Fund Statements                                                                                                                                                                             |                                                                                                                      |                                                                                                                                            |
|----------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
|                                        |                                                                                         | Governmental Funds                                                                                                                                                                          | Proprietary Funds                                                                                                    | Fiduciary Funds                                                                                                                            |
| Scope                                  | Entire County, except fiduciary activities                                              | The activities of the County that are not proprietary or fiduciary, such as special education and building maintenance.                                                                     | Activities the County operates similar to private businesses; Walker Creek Ranch fund.                               | Instances in which the County administers resources on behalf of someone else, such as student activities monies.                          |
| Required Financial Statements          | Statement of Net Assets<br>Statement of Activities                                      | Balance Sheet<br>Statement of Revenues, Expenditures and Changes in Fund Balances.                                                                                                          | Statement of Net Assets<br>Statement of Revenues, Expenses and Changes in Fund Net Assets<br>Statement of Cash Flows | Statement of Fiduciary Net Assets                                                                                                          |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus.                                        | Modified accrual accounting and current financial resources focus.                                                                                                                          | Accrual accounting and economic resources focus.                                                                     | Accrual accounting and economic resources focus.                                                                                           |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, short-term and long-term        | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.                                                            | All assets and liabilities, both financial and capital, and short-term and long-term.                                | All assets and liabilities both short-term and long term; standard funds do not currently contain non-financial assets, although they can. |
| Type of inflow/outflow information     | All revenues and expenses during the year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter. | All revenues and expenses during year, regardless of when cash is received or paid.                                  | All revenues and expenses during the year, regardless of when cash is received or paid.                                                    |

**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

---

**Government-Wide Statements**

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received.

The two government-wide statements report the County's net assets and how they have changed. Net assets, the difference between the County's assets and liabilities, is one way to measure the County's financial health or position. Over time, increases or decreases in the County's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the County, you need to consider additional non-financial factors including the condition of the County's school buildings and other facilities.

In the government-wide financial statements, the County's activities are reported as governmental activities. Most of the County's services are included here, such as regular and special education, and administration. State formula aid and property taxes finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The County establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

The County has three categories of funds:

- ◆ *Governmental funds* - Most of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ◆ *Proprietary funds* - Services for which the County charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
  - *Enterprise funds* - are used to report activities for which a fee is charged to external users for goods or services. The County has one enterprise fund – the Walker Creek Ranch fund.

**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

**Fund Financial Statements (Concluded)**

- *Internal Service funds* - are used to report activities that provide supplies and services for the County's other programs and activities. The County currently has one internal service fund – the self-insurance fund.
- ♦ *Fiduciary funds* - The County is the trustee, or fiduciary, for assets that belong to others, such as the payroll clearing fund. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the government-wide financial statements because the County cannot use these assets to finance operations.

**Financial Analysis of the Governmental Activities**

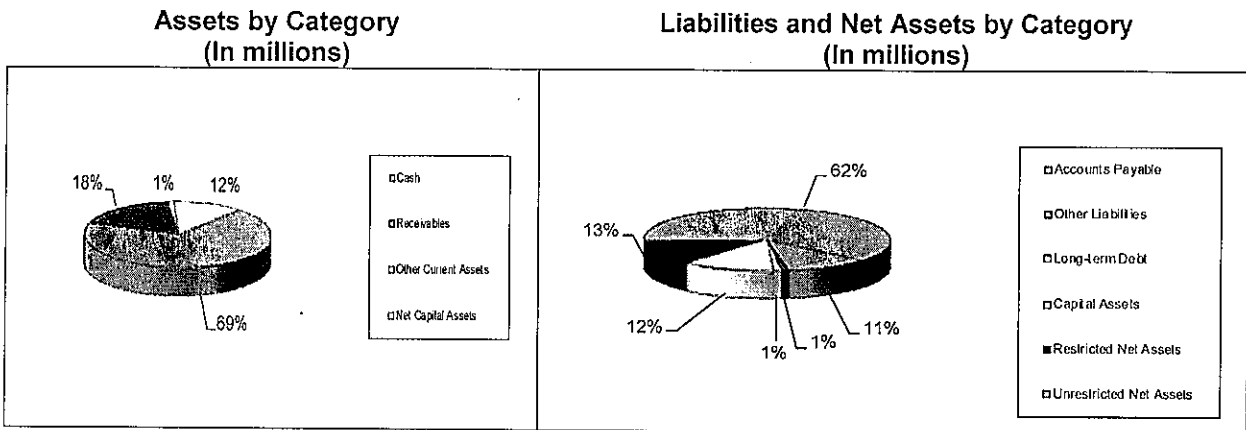
The comparison of the County's net assets as of June 30, 2012 and June 30, 2011, is presented by category in the table below:

|                                           | Governmental<br>Activities<br>June 30, 2012 | Governmental<br>Activities<br>June 30, 2011 |
|-------------------------------------------|---------------------------------------------|---------------------------------------------|
| Current and other assets:                 |                                             |                                             |
| Cash                                      | \$ 36,699,392                               | \$ 36,215,224                               |
| Receivables                               | 9,349,085                                   | 8,386,274                                   |
| Due from other funds (Internal Balances)  | 266,752                                     | 274,243                                     |
| Prepaid expenses                          | 118,166                                     | 71,833                                      |
| Other current assets                      | 10,500                                      | 10,500                                      |
| Capital assets, net of depreciation       | 6,422,099                                   | 5,767,820                                   |
| Total Assets                              | 52,865,994                                  | 50,725,894                                  |
| Liabilities                               |                                             |                                             |
| Accounts payable                          | 5,776,128                                   | 6,166,041                                   |
| Deferred revenue                          | 157,799                                     | 351,945                                     |
| Long-term liabilities due within one year | 322,711                                     | 331,738                                     |
| Long-term liabilities due after one year  | 120,426                                     | 75,100                                      |
| Total Liabilities                         | 6,377,064                                   | 6,924,824                                   |
| Net assets:                               |                                             |                                             |
| Invested in capital assets                | 6,422,099                                   | 5,767,820                                   |
| Restricted                                | 7,296,860                                   | 7,263,920                                   |
| Unrestricted                              | 32,769,971                                  | 30,769,330                                  |
| Total Net Assets                          | \$ 46,488,930                               | \$ 43,801,070                               |

**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

**Financial Analysis of the Governmental Activities (Concluded)**

Presented below is a graph depicting assets by category, along with a graph displaying liabilities and net assets by category for the 2012 fiscal year.



**Changes in Net Assets – Governmental Activities**

A comparison of the total County revenues, expenses, and change in net assets of governmental activities between the 2011-12 and 2010-11 fiscal years is presented in the table below.

|                                          | Change in<br>Net Assets<br>June 30, 2012 | Change in<br>Net Assets<br>June 30, 2011 |
|------------------------------------------|------------------------------------------|------------------------------------------|
| <b>Revenues – Program:</b>               |                                          |                                          |
| Charges for Services                     | \$ 1,086,987                             | \$ 223,255                               |
| Operating Grants and Contributions       | 22,223,883                               | 20,172,746                               |
| Unrestricted Federal and State Aid       | 4,148,725                                | 4,462,221                                |
| Taxes Levied                             | 27,030,075                               | 26,803,003                               |
| Interest and Investment Earnings         | 117,525                                  | 187,899                                  |
| Other General Revenues and Transfers In  | 2,074,393                                | 2,467,180                                |
| <b>Total Revenues</b>                    | <b>56,681,588</b>                        | <b>54,316,304</b>                        |
| <b>Expenses:</b>                         |                                          |                                          |
| Instruction                              | 13,624,578                               | 14,183,778                               |
| Pupil and Instruction-related Services   | 9,790,773                                | 8,101,215                                |
| General Administration                   | 5,662,742                                | 4,820,770                                |
| Plant Services                           | 1,393,880                                | 1,531,524                                |
| Other Expenses                           | 23,521,755                               | 23,043,655                               |
| <b>Total Expenses</b>                    | <b>53,993,728</b>                        | <b>51,680,942</b>                        |
| <b>Increase in Net Assets</b>            | <b>2,687,860</b>                         | <b>2,635,362</b>                         |
| <b>Net Assets, Beginning of the Year</b> | <b>43,801,070</b>                        | <b>41,165,708</b>                        |
| <b>Net Assets, End of the Year</b>       | <b>\$ 46,488,930</b>                     | <b>\$ 43,801,070</b>                     |

**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

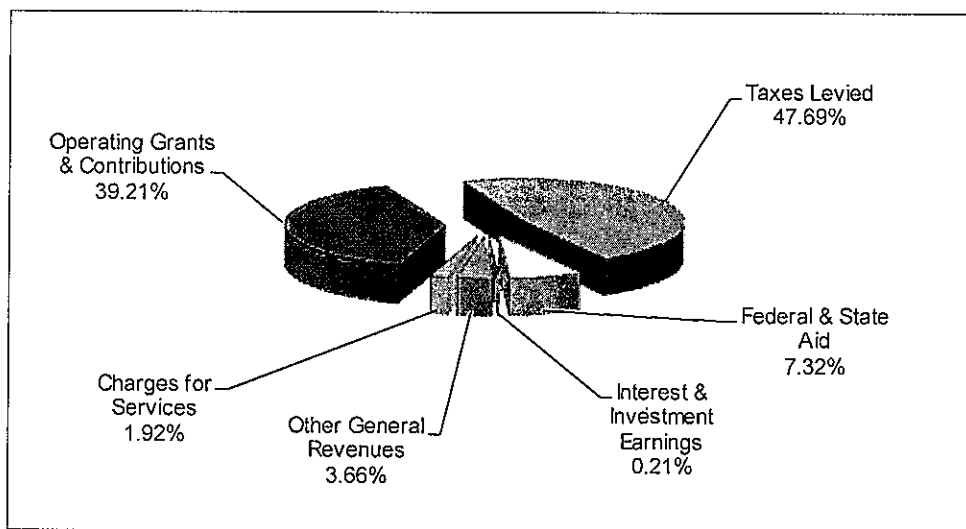
---

**Changes in Net Assets – Governmental Activities (Concluded)**

For the 2012 fiscal year, total County revenues were \$56.6 million. Total County expenses were \$54 million. The difference of \$2.6 million is the increase in governmental activities net assets, bringing the total governmental activities net assets at June 30, 2012 to \$46.5 million.

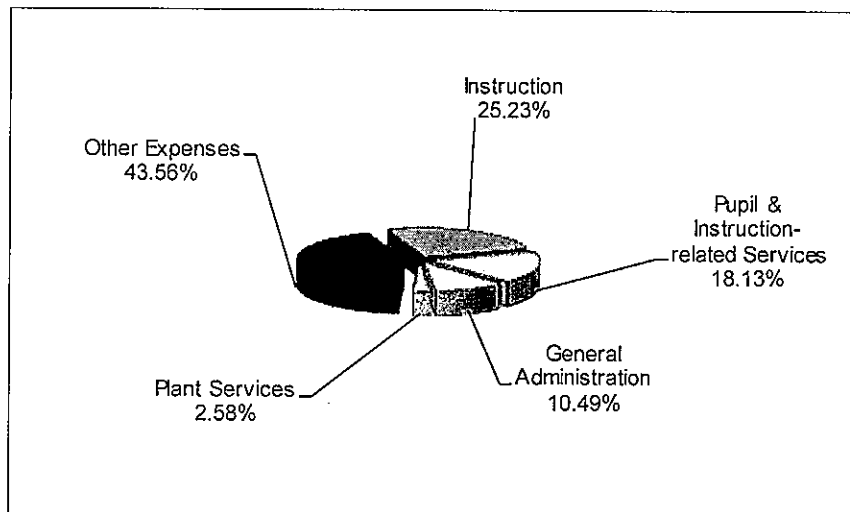
The following graph displays the County's revenue sources by percentage.

**Revenue Sources by Percentage – Governmental Activities**



The graph below displays by percentage the County's expense function totals.

**Functional Expenses by Percentage – Governmental Activities**



**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

---

**Governmental Activities**

**Governmental Activities Expenses**

|                                                                 | <b>Total Cost of<br/>Services<br/>2012</b> | <b>Net Cost of<br/>Services<br/>2012</b> | <b>Total Cost of<br/>Services<br/>2011</b> | <b>Net Cost of<br/>Services<br/>2011</b> |
|-----------------------------------------------------------------|--------------------------------------------|------------------------------------------|--------------------------------------------|------------------------------------------|
| Instruction, Instruction-related<br>Services and Pupil Services | \$ 23,415,351                              | \$ 12,914,549                            | \$22,284,993                               | \$13,324,134                             |
| General Administrative and Plant<br>Services                    | 7,056,622                                  | 5,027,312                                | 6,352,294                                  | 5,177,841                                |
| Other Expenses                                                  | 23,521,755                                 | 12,740,997                               | 23,043,655                                 | 12,782,966                               |
| <b>Totals</b>                                                   | <b>\$ 53,993,728</b>                       | <b>\$ 30,682,858</b>                     | <b>\$51,680,942</b>                        | <b>\$31,284,941</b>                      |

This table displays by function the total and net cost of services provided for the 2012 and 2011 fiscal years. The net cost of services represents the total cost less operating and capital grants and contributions, and for revenue received where a charge is made for the service provided.

**Financial Analysis of the County's Funds**

The positive financial results of the County as a whole are also reflected in its governmental funds. At June 30, 2012, the County's governmental funds reported a combined fund balance of \$39.7 million.

**County School Service Fund Budgetary Highlights**

There were several formal revisions made to the budget during the year. These revisions fell into several main categories:

- ◆ Increases to both estimated revenue and appropriations due to the receipt of new grant awards or donations.
- ◆ The budgeting of carryover balances from prior years. It is the County's policy not to budget carryover amounts from a prior year until after the unaudited actual balances for that year have been calculated.

The County's healthy financial condition at June 30, 2012, will be tested during 2013 and in future operating years as a result of the uncertain economic condition at the national and, especially, state levels. The County's plan for moving forward in these unsure times is discussed more fully in the "Economic Factors and Next Year's Budget" section found later in this document.

**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

**Capital Asset and Debt Administration – The County As A Whole**

**Capital Assets (Net of Depreciation)**

|                                    | <b>County-Wide<br/>Activities</b> |                    |
|------------------------------------|-----------------------------------|--------------------|
|                                    | <b>2012</b>                       | <b>2011</b>        |
| Land                               | \$2,074,221                       | \$2,074,221        |
| Buildings and Improvement of Sites | 7,052,203                         | 6,429,617          |
| Machinery and Equipment            | 608,802                           | 637,344            |
| <b>Totals</b>                      | <b>\$9,735,226</b>                | <b>\$9,141,182</b> |

Capital assets in the table above are reflected at June 30, 2012 and 2011. The County uses \$5,000 as its capitalization threshold. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives.

**Outstanding Debt at Year-End**

|                                | <b>County-Wide<br/>Activities</b> |                  |
|--------------------------------|-----------------------------------|------------------|
|                                | <b>2012</b>                       | <b>2011</b>      |
| Compensated Absences           | \$ 222,734                        | \$231,761        |
| Other Post Employment Benefits | 220,403                           | 175,077          |
| <b>Totals</b>                  | <b>\$ 443,137</b>                 | <b>\$406,838</b> |

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**Economic Factors and Next Year's Budget**

Factors impacting the 2012-13 County budget include the following:

- ◆ The County's budget for 2012-13 remains balanced.
- ◆ The state's financial condition impacts the County's budget for the current and subsequent fiscal years. Due to the County's strong reserves held for economic uncertainties, the County is able to maintain its strong financial position.

**MARIN COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

---

**Contacting the County's Financial Management**

This financial report is designed to provide our community of parents, citizens, taxpayers and potential investors and creditors with a general overview of the County's finances and shows the County's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact: Terena Mares, Assistant Superintendent – Business at 1111 Las Gallinas Avenue, San Rafael, California 94913-4925.

**MARIN COUNTY OFFICE OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

|                                                | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Totals</b>        |
|------------------------------------------------|------------------------------------|-------------------------------------|----------------------|
| <b><u>Assets</u></b>                           |                                    |                                     |                      |
| Deposits and Investments (Note 2)              | \$ 36,699,392                      | \$ 1,113,736                        | \$ 37,813,128        |
| Receivables (Note 4)                           | 9,349,085                          | 205,576                             | 9,554,661            |
| Internal Balances                              | 266,752                            | (266,752)                           |                      |
| Stores Inventory (Note 1I)                     |                                    | 14,060                              | 14,060               |
| Prepaid Expenses (Note 1I)                     | 118,166                            | 756                                 | 118,922              |
| Other Current Assets                           | 10,500                             |                                     | 10,500               |
| Capital Assets: (Note 6)                       |                                    |                                     |                      |
| Land                                           | 400,000                            | 1,674,221                           | 2,074,221            |
| Buildings and Improvements                     | 9,678,008                          | 2,826,542                           | 12,504,550           |
| Furniture and Equipment                        | 2,608,410                          | 274,123                             | 2,882,533            |
| Less: Accumulated Depreciation                 | (6,264,319)                        | (1,461,759)                         | (7,726,078)          |
| Total Assets                                   | <u>52,865,994</u>                  | <u>4,380,503</u>                    | <u>57,246,497</u>    |
| <b><u>Liabilities</u></b>                      |                                    |                                     |                      |
| Accounts Payable and Other Current Liabilities | 5,776,128                          | 96,231                              | 5,872,359            |
| Deferred Revenue (Note 1I)                     | 157,799                            | 378,667                             | 536,466              |
| Long-Term Liabilities:                         |                                    |                                     |                      |
| <i>Portion Due or Payable Within One Year:</i> |                                    |                                     |                      |
| Compensated Absences (Note 1I)                 | 222,734                            |                                     | 222,734              |
| Other Post Employment Benefits (Note 7)        | 99,977                             |                                     | 99,977               |
| <i>Portion Due or Payable After One Year:</i>  |                                    |                                     |                      |
| Other Post Employment Benefits (Note 7)        | 120,426                            |                                     | 120,426              |
| Total Liabilities                              | <u>6,377,064</u>                   | <u>474,898</u>                      | <u>6,851,962</u>     |
| <b><u>Net Assets</u></b>                       |                                    |                                     |                      |
| Invested in Capital Assets                     | 6,422,099                          | 3,313,127                           | 9,735,226            |
| Restricted:                                    |                                    |                                     |                      |
| For Capital Projects                           | 239                                |                                     | 239                  |
| For Educational Programs                       | 7,171,955                          |                                     | 7,171,955            |
| For Other Purposes                             | 124,666                            | 19,966                              | 144,632              |
| Unrestricted                                   | 32,769,971                         | 572,512                             | 33,342,483           |
| Total Net Assets                               | <u>\$ 46,488,930</u>               | <u>\$ 3,905,605</u>                 | <u>\$ 50,394,535</u> |

**MARIN COUNTY OFFICE OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| Functions                            | Expenses      | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                |
|--------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|-------------------------------------------------|--------------------------|----------------|
|                                      |               | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                         | Business-Type Activities | Totals         |
| <u>Governmental Activities</u>       |               |                      |                                    |                                  |                                                 |                          |                |
| Instruction                          | \$ 13,624,578 | \$ 25,943            | \$ 3,926,036                       |                                  | \$ (9,672,599)                                  |                          | \$ (9,672,599) |
| Instruction-Related Services:        |               |                      |                                    |                                  |                                                 |                          |                |
| Supervision of Instruction           | 7,975,796     | 431,074              | 5,039,492                          |                                  | (2,505,230)                                     |                          | (2,505,230)    |
| Instructional Library and Technology | 278,687       | 65,418               | 202,346                            |                                  | (10,923)                                        |                          | (10,923)       |
| Pupil Services:                      |               |                      |                                    |                                  |                                                 |                          |                |
| Food Services                        | 2,157         |                      | 484                                |                                  | (1,673)                                         |                          | (1,673)        |
| Other Pupil Services                 | 1,534,133     | 4,122                | 805,887                            |                                  | (724,124)                                       |                          | (724,124)      |
| General Administration:              |               |                      |                                    |                                  |                                                 |                          |                |
| Data Processing Services             | 1,244,396     | 59,470               | 183,950                            |                                  | (1,000,976)                                     |                          | (1,000,976)    |
| Other General Administration         | 4,418,346     | 137,841              | 1,479,973                          |                                  | (2,800,532)                                     |                          | (2,800,532)    |
| Plant Services                       | 1,393,880     | 657                  | 167,419                            |                                  | (1,225,804)                                     |                          | (1,225,804)    |
| Ancillary Services                   | 196,431       | 14,015               | 130,541                            |                                  | (51,875)                                        |                          | (51,875)       |
| Community Services                   | 103,095       | 24,173               | 74,771                             |                                  | (4,151)                                         |                          | (4,151)        |
| Enterprise Activities                | 112,745       |                      |                                    |                                  | (112,745)                                       |                          | (112,745)      |
| Other Outgo                          | 23,109,484    | 324,274              | 10,212,984                         |                                  | (12,572,226)                                    |                          | (12,572,226)   |
| Total Governmental Activities        | 53,993,728    | 1,086,987            | 22,223,883                         |                                  | (30,682,858)                                    |                          | (30,682,858)   |
| <u>Business-Type Activities</u>      |               |                      |                                    |                                  |                                                 |                          |                |
| Enterprise Activities                | 2,669,028     | 2,756,598            |                                    |                                  |                                                 | \$ 87,570                | 87,570         |
| Totals                               | \$ 56,662,756 | \$ 3,843,585         | \$ 22,223,883                      | \$ 0                             | (30,682,858)                                    | 87,570                   | (30,595,288)   |
| <u>General Revenues</u>              |               |                      |                                    |                                  |                                                 |                          |                |
| Taxes Levied for General Purposes    |               |                      |                                    |                                  | 27,015,796                                      |                          | 27,015,796     |
| Taxes Levied for Specific Purposes   |               |                      |                                    |                                  | 14,279                                          |                          | 14,279         |
| Federal and State Aid - Unrestricted |               |                      |                                    |                                  | 4,148,725                                       |                          | 4,148,725      |
| Interest and Investment Earnings     |               |                      |                                    |                                  | 117,525                                         | 2,184                    | 119,709        |
| Miscellaneous                        |               |                      |                                    |                                  | 1,807,642                                       |                          | 1,807,642      |
| Internal Balances                    |               |                      |                                    |                                  | 266,751                                         | (266,751)                |                |
| Total General Revenues               |               |                      |                                    |                                  | 33,370,718                                      | (264,567)                | 33,106,151     |
| Change in Net Assets                 |               |                      |                                    |                                  | 2,687,860                                       | (176,997)                | 2,510,863      |
| Net Assets - July 1, 2011            |               |                      |                                    |                                  | 43,801,070                                      | 4,082,602                | 47,883,672     |
| Net Assets - June 30, 2012           |               |                      |                                    |                                  | \$ 46,488,930                                   | \$ 3,905,605             | \$ 50,394,535  |

**MARIN COUNTY OFFICE OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

|                                             | <b>County<br/>School<br/>Service</b> | <b>Special<br/>Education<br/>Pass-<br/>Through</b> | <b>Capital<br/>Projects -<br/>Special<br/>Reserve</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------------|--------------------------------------|----------------------------------------------------|-------------------------------------------------------|---------------------------------------------|-----------------------------------------|
| <b><u>Assets</u></b>                        |                                      |                                                    |                                                       |                                             |                                         |
| Deposits and Investments (Note 2)           | \$ 15,313,961                        | \$ 61,822                                          | \$ 17,462,035                                         | \$ 3,200,691                                | \$ 36,038,509                           |
| Receivables (Note 4)                        | 6,971,213                            | 2,317,215                                          |                                                       | 60,041                                      | 9,348,469                               |
| Due from Other Funds (Note 5)               | 428,574                              |                                                    |                                                       |                                             | 428,574                                 |
| Prepaid Expenditures (Note 11)              | 118,166                              |                                                    |                                                       |                                             | 118,166                                 |
| Other Current Assets                        | 10,500                               |                                                    |                                                       |                                             | 10,500                                  |
| <b>Total Assets</b>                         | <b>\$ 22,842,414</b>                 | <b>\$ 2,379,037</b>                                | <b>\$ 17,462,035</b>                                  | <b>\$ 3,260,732</b>                         | <b>\$ 45,944,218</b>                    |
| <b><u>Liabilities and Fund Balances</u></b> |                                      |                                                    |                                                       |                                             |                                         |
| Liabilities:                                |                                      |                                                    |                                                       |                                             |                                         |
| Accounts Payable                            | \$ 3,398,670                         | \$ 2,313,533                                       |                                                       | \$ 63,513                                   | \$ 5,775,716                            |
| Due to Other Funds (Note 5)                 | 116,297                              | 61,787                                             |                                                       | 72,661                                      | 250,745                                 |
| Deferred Revenue (Note 11)                  | 157,799                              |                                                    |                                                       |                                             | 157,799                                 |
| <b>Total Liabilities</b>                    | <b>3,672,766</b>                     | <b>2,375,320</b>                                   |                                                       | <b>136,174</b>                              | <b>6,184,260</b>                        |
| Fund Balances: (Note 9)                     |                                      |                                                    |                                                       |                                             |                                         |
| Nonspendable                                | 124,666                              |                                                    |                                                       |                                             | 124,666                                 |
| Restricted                                  | 7,168,076                            |                                                    |                                                       | 401                                         | 7,168,477                               |
| Assigned                                    |                                      | 3,717                                              | \$ 17,462,035                                         | 3,124,157                                   | 20,589,909                              |
| Unassigned                                  | 11,876,906                           |                                                    |                                                       |                                             | 11,876,906                              |
| <b>Total Fund Balances</b>                  | <b>19,169,648</b>                    | <b>3,717</b>                                       | <b>17,462,035</b>                                     | <b>3,124,558</b>                            | <b>39,759,958</b>                       |
| <b>Total Liabilities and Fund Balances</b>  | <b>\$ 22,842,414</b>                 | <b>\$ 2,379,037</b>                                | <b>\$ 17,462,035</b>                                  | <b>\$ 3,260,732</b>                         | <b>\$ 45,944,218</b>                    |

**MARIN COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

---

**Total Fund Balances - Governmental Funds** **\$ 39,759,958**

Amounts reported for governmental activities in the statement of net assets are different from amounts reported in governmental funds due to the following:

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

|                          |               |           |
|--------------------------|---------------|-----------|
| Capital Assets           | \$ 12,686,418 |           |
| Accumulated Depreciation | (6,264,319)   |           |
| Net                      |               | 6,422,099 |

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

|                                |         |           |
|--------------------------------|---------|-----------|
| Compensated Absences           | 222,734 |           |
| Other Post Employment Benefits | 220,403 |           |
| Total                          |         | (443,137) |

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

750,010

**Total Net Assets - Governmental Activities**

\$ 46,488,930

**MARIN COUNTY OFFICE OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                                 | <u>County<br/>School<br/>Service</u> | <u>Special<br/>Education<br/>Pass-<br/>Through</u> | <u>Capital<br/>Projects -<br/>Special<br/>Reserve</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------------------------|--------------------------------------|----------------------------------------------------|-------------------------------------------------------|---------------------------------------------|-----------------------------------------|
| <b><u>Revenues</u></b>                          |                                      |                                                    |                                                       |                                             |                                         |
| Revenue Limit Sources:                          |                                      |                                                    |                                                       |                                             |                                         |
| State Apportionment                             | \$ 1,626,960                         |                                                    |                                                       |                                             | \$ 1,626,960                            |
| Local Taxes                                     | 12,644,048                           | \$ 14,372,201                                      |                                                       |                                             | 27,016,249                              |
| Total Revenue Limit Sources                     | 14,271,008                           | 14,372,201                                         |                                                       |                                             | 28,643,209                              |
| Federal Revenue                                 | 5,501,051                            | 4,527,643                                          |                                                       | \$ 107,634                                  | 10,136,328                              |
| State Revenue                                   | 6,853,236                            | 1,315,528                                          |                                                       | 178,479                                     | 8,347,243                               |
| Local Revenue                                   | 9,117,688                            | 3,717                                              | \$ 38,653                                             | 7,584                                       | 9,167,642                               |
| Total Revenues                                  | 35,742,983                           | 20,219,089                                         | 38,653                                                | 293,697                                     | 56,294,422                              |
| <b><u>Expenditures</u></b>                      |                                      |                                                    |                                                       |                                             |                                         |
| Instruction                                     | 13,204,124                           |                                                    |                                                       |                                             | 13,204,124                              |
| Supervision of Instruction                      | 7,997,102                            |                                                    |                                                       |                                             | 7,997,102                               |
| Instructional Library and Technology            | 278,687                              |                                                    |                                                       |                                             | 278,687                                 |
| Food Services                                   | 2,157                                |                                                    |                                                       |                                             | 2,157                                   |
| Other Pupil Services                            | 1,425,086                            |                                                    |                                                       | 109,047                                     | 1,534,133                               |
| Data Processing Services                        | 1,244,396                            |                                                    |                                                       |                                             | 1,244,396                               |
| Other General Administration                    | 4,436,827                            |                                                    |                                                       |                                             | 4,436,827                               |
| Plant Services                                  | 1,290,692                            |                                                    |                                                       | 112,215                                     | 1,402,907                               |
| Facilities Acquisition and Construction         | 590,859                              |                                                    |                                                       | 398,761                                     | 989,620                                 |
| Ancillary Services                              | 196,431                              |                                                    |                                                       |                                             | 196,431                                 |
| Community Services                              | 103,095                              |                                                    |                                                       |                                             | 103,095                                 |
| Other Outgo                                     | 2,894,112                            | 20,215,372                                         |                                                       |                                             | 23,109,484                              |
| Total Expenditures                              | 33,663,568                           | 20,215,372                                         |                                                       | 620,023                                     | 54,498,963                              |
| Excess of Revenues Over<br>(Under) Expenditures | 2,079,415                            | 3,717                                              | 38,653                                                | (326,326)                                   | 1,795,459                               |
| <b><u>Other Financing Sources (Uses)</u></b>    |                                      |                                                    |                                                       |                                             |                                         |
| Operating Transfers In                          | 302,850                              |                                                    |                                                       |                                             | 302,850                                 |
| Operating Transfers Out                         | (27,375)                             |                                                    |                                                       | (8,724)                                     | (36,099)                                |
| Total Other Financing<br>Sources (Uses)         | 275,475                              |                                                    |                                                       | (8,724)                                     | 266,751                                 |
| Net Change in Fund Balances                     | 2,354,890                            | 3,717                                              | 38,653                                                | (335,050)                                   | 2,062,210                               |
| Fund Balances - July 1, 2011                    | 16,814,758                           | 0                                                  | 17,423,382                                            | 3,459,608                                   | 37,697,748                              |
| Fund Balances - June 30, 2012                   | \$ 19,169,648                        | \$ 3,717                                           | \$ 17,462,035                                         | \$ 3,124,558                                | \$ 39,759,958                           |

**MARIN COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

|                                                         |                     |
|---------------------------------------------------------|---------------------|
| <b>Net Change in Fund Balances - Governmental Funds</b> | <b>\$ 2,062,210</b> |
|---------------------------------------------------------|---------------------|

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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

|                      |              |         |
|----------------------|--------------|---------|
| Capital Outlays      | \$ 1,037,320 |         |
| Depreciation Expense | (375,128)    |         |
| Net                  |              | 662,192 |

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

(7,913)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned during the fiscal year. The difference between amounts paid and amounts earned was:

9,027

Post employment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and employer contributions was:

(45,326)

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

7,670

|                                                        |                     |
|--------------------------------------------------------|---------------------|
| <b>Change in Net Assets of Governmental Activities</b> | <b>\$ 2,687,860</b> |
|--------------------------------------------------------|---------------------|

---

**MARIN COUNTY OFFICE OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

|                                   | <b>Governmental<br/>Activities</b>   | <b>Business-Type<br/>Activities</b> |
|-----------------------------------|--------------------------------------|-------------------------------------|
|                                   | <b>Internal<br/>Service<br/>Fund</b> | <b>Enterprise<br/>Fund</b>          |
| <b><u>Assets</u></b>              |                                      |                                     |
| Deposits and Investments (Note 2) | \$ 660,883                           | \$ 1,113,736                        |
| Receivables (Note 4)              | 616                                  | 205,576                             |
| Due from Other Funds (Note 5)     | 88,923                               | 27,375                              |
| Stores Inventory (Note 1I)        |                                      | 14,060                              |
| Prepaid Expenses (Note 1I)        |                                      | 756                                 |
| Capital Assets: (Note 6)          |                                      |                                     |
| Land                              |                                      | 1,674,221                           |
| Buildings and Improvements        |                                      | 2,826,542                           |
| Furniture and Equipment           |                                      | 274,123                             |
| Less: Accumulated Depreciation    |                                      | (1,461,759)                         |
| Total Assets                      | <u>750,422</u>                       | <u>4,674,630</u>                    |
| <b><u>Liabilities</u></b>         |                                      |                                     |
| Accounts Payable                  | 412                                  | 96,231                              |
| Due to Other Funds (Note 5)       |                                      | 294,127                             |
| Deferred Revenue (Note 1I)        |                                      | 378,667                             |
| Total Liabilities                 | <u>412</u>                           | <u>769,025</u>                      |
| <b><u>Net Assets</u></b>          |                                      |                                     |
| Invested in Capital Assets        |                                      | 3,313,127                           |
| Restricted for Other Purposes     | 750,010                              | 19,966                              |
| Unrestricted                      |                                      | 572,512                             |
| Total Net Assets                  | <u><u>\$ 750,010</u></u>             | <u><u>\$ 3,905,605</u></u>          |

**MARIN COUNTY OFFICE OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                      | <b>Governmental<br/>Activities</b>   | <b>Business-Type<br/>Activities</b> |
|--------------------------------------|--------------------------------------|-------------------------------------|
|                                      | <b>Internal<br/>Service<br/>Fund</b> | <b>Enterprise<br/>Fund</b>          |
| <b><u>Operating Revenues</u></b>     |                                      |                                     |
| Contributions                        | \$ 118,953                           |                                     |
| Charges for Services                 |                                      | \$ 2,756,598                        |
| Total Operating Revenues             | 118,953                              | 2,756,598                           |
| <b><u>Operating Expenses</u></b>     |                                      |                                     |
| Personnel Services                   |                                      | 1,795,608                           |
| Contractual Services                 | 112,745                              | 362,486                             |
| Other Supplies and Expenses          |                                      | 425,215                             |
| Depreciation                         |                                      | 85,719                              |
| Total Operating Expenses             | 112,745                              | 2,669,028                           |
| Operating Gain                       | 6,208                                | 87,570                              |
| <b><u>Non-Operating Revenues</u></b> |                                      |                                     |
| Interest                             | 1,462                                | 2,184                               |
| Income Before Transfers              | 7,670                                | 89,754                              |
| Transfers In                         |                                      | 27,375                              |
| Transfers Out                        |                                      | (294,126)                           |
| Net Transfers                        | 0                                    | (266,751)                           |
| Changes in Net Assets                | 7,670                                | (176,997)                           |
| Net Assets - July 1, 2011            | 742,340                              | 4,082,602                           |
| Net Assets - June 30, 2012           | \$ 750,010                           | \$ 3,905,605                        |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MARIN COUNTY OFFICE OF EDUCATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                                                                                         | <b>Governmental<br/>Activities</b>   | <b>Business-Type<br/>Activities</b> |
|---------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                                         | <b>Internal<br/>Service<br/>Fund</b> | <b>Enterprise<br/>Fund</b>          |
| <b><i>Cash Flows From Operating Activities:</i></b>                                                     |                                      |                                     |
| Received from User Charges                                                                              |                                      | \$ 2,747,954                        |
| Received from Contributions                                                                             | \$ 103,917                           |                                     |
| Payments to Employees for Services                                                                      |                                      | (1,782,678)                         |
| Payments to Suppliers for Goods and Services                                                            |                                      | (802,316)                           |
| Payments for Contractual Services                                                                       | (112,951)                            |                                     |
| Net Cash Provided (Used) by Operating Activities                                                        | (9,034)                              | 162,960                             |
| <b><i>Cash Flows From Noncapital Financing Activities:</i></b>                                          |                                      |                                     |
| Transfers in                                                                                            |                                      | 23,259                              |
| Transfers out                                                                                           |                                      | (297,501)                           |
| Net Cash Used by Noncapital Financing Activities                                                        |                                      | (274,242)                           |
| <b><i>Cash Flows From Capital and Related Financing Activities:</i></b>                                 |                                      |                                     |
| Acquisition of Capital Assets                                                                           |                                      | (25,484)                            |
| <b><i>Cash Flows From Investing Activities:</i></b>                                                     |                                      |                                     |
| Interest                                                                                                | 1,462                                | 2,184                               |
| Net (Decrease) in Cash                                                                                  | (7,572)                              | (134,582)                           |
| Deposits and Investments - July 1, 2011                                                                 | 668,455                              | 1,248,318                           |
| Deposits and Investments - June 30, 2012                                                                | \$ 660,883                           | \$ 1,113,736                        |
| <b><i>Reconciliation of Operating Gain to Net Cash<br/>Provided (Used) by Operating Activities:</i></b> |                                      |                                     |
| Operating Gain                                                                                          | \$ 6,208                             | \$ 87,570                           |
| Adjustments to Reconcile Operating Gain to Net Cash<br>Provided (Used) by Operating Activities:         |                                      |                                     |
| Depreciation                                                                                            |                                      | 85,719                              |
| Changes in Operating Assets and Liabilities:                                                            |                                      |                                     |
| Accounts Receivables                                                                                    | (616)                                | 23,242                              |
| Due from Other Funds                                                                                    | (15,036)                             |                                     |
| Prepaid Expenses                                                                                        |                                      | (108)                               |
| Inventory                                                                                               |                                      | (617)                               |
| Accounts Payable                                                                                        | 410                                  | (960)                               |
| Deferred Revenue                                                                                        |                                      | (31,886)                            |
| Net Cash Provided (Used) by Operating Activities                                                        | \$ (9,034)                           | \$ 162,960                          |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MARIN COUNTY OFFICE OF EDUCATION  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

---

|                                   | Payroll<br>Clearing<br>Fund | Total<br>Fiduciary<br>Funds |
|-----------------------------------|-----------------------------|-----------------------------|
| <b><u>Assets</u></b>              |                             |                             |
| Deposits and Investments (Note 2) | \$ 697,962                  | \$ 697,962                  |
| Receivables (Note 4)              | 24,735                      | 24,735                      |
| Total Assets                      | 722,697                     | 722,697                     |
| <b><u>Liabilities</u></b>         |                             |                             |
| Accounts Payable                  | 722,697                     | 722,697                     |
| <b><u>Net Assets</u></b>          |                             |                             |
| Total Net Assets                  | \$ 0                        | \$ 0                        |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Marin County Office of Education (the "County Office") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a seven member Board of Education elected by registered voters of the County Office, which comprises an area in Marin County. The County Office was established in 1854 and serves students in grades K-12.

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

The County Office has reviewed criteria to determine whether other entities with activities that benefit the County Office should be included within its financial reporting entity under GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship. The County Office has determined that there are no organizations, with financial activities that benefit the County Office, which should be included within its financial reporting entity under GASB 14.

The County Office has also reviewed criteria to determine whether other organizations, for which the County Office is not financially accountable, should be reported within its financial reporting entity, based on the nature and significance of its relationship with the County Office, under GASB Statement No. 39 (GASB 39), *Determining Whether Certain Organizations are Component Units*. In order for an organization to be classified as a component unit, all of the GASB 39 criteria must be met, as follows:

- The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government or its component units.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization.
- The economic resources received or held by the organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The County Office has determined that there are no organizations, for which the County Office is not financially accountable, which should be reported within its financial reporting entity under GASB 39.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the County Office and its component units. Internal Service Fund activity is eliminated to avoid doubling revenues and expenses.

The statements distinguish between those activities of the County Office that are governmental and those that are considered business-type activities. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County Office and for each function or program of the County Office's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The County Office does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County Office, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County Office.

**Fund Financial Statements:**

Fund financial statements report detailed information about the County Office. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. The Enterprise and the Internal Service Funds are presented on the proprietary fund statements. Fiduciary funds are reported by fund type.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Concluded)**

**Fund Financial Statements (Concluded):**

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the County Office finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are contributions from the County School Service Fund. Operating expenses for the internal service fund include the costs of providing post employment benefits. The principal operating revenues of the enterprise fund are user fees and charges for outdoor education and conference programs. Operating expenses for the enterprise fund include the costs of personnel services, contractual services, and other supplies and expenses related to providing the outdoor education and conference programs.

Fiduciary funds are reported using the economic resources measurement focus.

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

**Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Concluded)**

**Revenues - Exchange and Non-exchange Transactions (Concluded):**

"Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County Office, "available" means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California County Offices and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the County Office receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue:**

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

**Expenses/Expenditures:**

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the County Office's practice to use restricted resources first, then unrestricted resources as they are needed.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting**

The accounts of the County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The County Office maintains the following governmental fund types:

*County School Service Fund* - The county school service fund is used to account for and report all financial resources not accounted for and reported in another fund.

*Special Revenue Funds* - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

*Capital Projects Funds* - Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The County Office's accounts are organized into major, non-major, proprietary, and fiduciary funds as follows:

**Major Governmental Funds:**

The *County School Service Fund* is the general operating fund of the County Office. It is used to account for and report all financial resources not accounted for and reported in another fund.

The *Special Education Pass-Through Fund* is used to account for special education revenue passed through to other member LEAs.

The *Capital Projects - Special Reserve Fund* is used to account for funds accumulated for various major maintenance and capital projects.

**Non-major Governmental Funds:**

The *Deferred Maintenance Fund* is used for the purpose of major repairs or replacement of County Office property.

The *Child Development Fund* is used to account for revenues received and expenditures made to operate the child development programs.

The *County School Facilities Fund* is used to account for state apportionments (Education Code Sections 17009.5 and 17070.10-17076.10).

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Fund Accounting (Concluded)**

*Proprietary Funds* focus on the determination of the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The County Office maintains one internal service fund and one enterprise fund:

1. Internal Service Funds are used to account for services rendered on a cost reimbursement basis within the County Office. The County Office maintains one internal service fund, the Self-Insurance Fund, which is used to separately account for resources that are held for early retirement incentive agreements and other post employment benefits.
2. The Enterprise Fund was established to account for the operations of the outdoor education and conference programs at Walker Creek Ranch, which are financed and operated in a manner similar to business enterprises, where the intent is to recover the cost of providing the services through user charges.

Fiduciary Funds:

*Agency Funds* are used to account for assets of others for which the County Office acts as an agent. The County Office maintains one agency fund to account for the payroll clearing accounts.

**E. Budgets and Budgetary Accounting**

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

These budgets are revised by the County Office's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the County School Service Fund and the Special Education Pass-Through Fund, as required supplementary information on pages 45 and 46.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The County Office employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account (See Note 3).

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Encumbrances**

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

**H. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows for the County Office's proprietary funds, the County Office considers all highly liquid investment instruments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

**I. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The County Office is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

The County Office is considered to be an involuntary participant in an external investment pool as the County Office is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001).

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

The County Office 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.

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.

**2. Inventories and Prepaid Expenses / Expenditures**

Inventories are recorded using the consumption method in that inventory acquisitions are initially recorded in inventory asset accounts and are recorded as expenditures when the supplies are used. Inventories are valued at average cost and consist of expendable supplies held for consumption.

MARIN COUNTY OFFICE OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

2. Inventories and Prepaid Expenses / Expenditures (Concluded)

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Reported inventories and prepaid expenses are equally offset by a net assets reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

| <u>Asset Class</u>         | <u>Years</u> |
|----------------------------|--------------|
| Buildings and Improvements | 20-50        |
| Furniture and Equipment    | 5-15         |

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

Accumulated sick leave benefits are not recognized as liabilities of the County Office. The County Office's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

MARIN COUNTY OFFICE OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

---

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Assets, Liabilities and Equity (Continued)

6. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Assets. In fund financial statements, the face amount of the obligation is reported as other financing sources in the year issued.

7. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County Office is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

*Nonspendable Fund Balance* consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

*Restricted Fund Balance* consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

*Committed Fund Balance* consists of funds that are set aside for a specific purpose by the County Office's highest level of decision making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

*Assigned Fund Balance* consists of funds that are set aside with the intent to be used for a specific purpose by the County Office's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

*Unassigned Fund Balance* consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. The County Office's established minimum fund balance policy is to maintain a reserve for economic uncertainties of five (5) percent of budgeted expenditures and other financing uses.

The County Office considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the County Office considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**I. Assets, Liabilities and Equity (Concluded)**

**8. Revenue Limit/Property Tax**

The County Office's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The County of Marin is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

The County Auditor reports the amount of the County Office's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the County Office.

The County Office's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the County Office is entitled to by law. This amount is multiplied by the applicable attendance period ADA to derive the County Office's total entitlement. The California Department of Education reduces the County Office's entitlement by the County Office's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2012, consist of the following:

|                                | <u>Governmental<br/>Funds</u> | <u>Internal<br/>Service<br/>Fund</u> | <u>Total<br/>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Fiduciary<br/>Activities</u> |
|--------------------------------|-------------------------------|--------------------------------------|----------------------------------------------|-------------------------------------|---------------------------------|
| Cash in Revolving Fund         | \$ 6,500                      |                                      | \$ 6,500                                     | \$ 5,150                            |                                 |
| County Pool Investments        | <u>36,032,009</u>             | <u>\$ 660,883</u>                    | <u>36,692,892</u>                            | <u>1,108,586</u>                    | <u>\$ 697,962</u>               |
| Total Deposits and Investments | <u>\$ 36,038,509</u>          | <u>\$ 660,883</u>                    | <u>\$ 36,699,392</u>                         | <u>\$ 1,113,736</u>                 | <u>\$ 697,962</u>               |

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash in Revolving Fund

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

County Pool Investments

County pool investments consists of County Office cash held by the Marin County Treasury that is invested in the county investment pool. The fair value of the County Office's investment in the pool is reported in the financial statements at amounts that are based upon the County Office's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio).

General Authorization

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

| Authorized<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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 Notes                       | 5 years                          | 30%                                   | None                                   |
| Mutual Funds/Money Market               | 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 rate will adversely affect the fair value of an investment. Generally, as the length of the maturity of an investment increases, the greater the sensitivity of its fair value to changes in market interest rates. The County Office manages its exposure to interest rate risk by investing in the County Treasury that purchases 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.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Segmented Time Distribution**

Information about the sensitivity of the fair value of the County Office's investment to market interest rate fluctuations is provided by the following schedule that shows the distribution of the County Office's investment by maturity:

**Governmental Activities:**

| <u>Investment Type</u>  | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>More Than 1 Year</u> |
|-------------------------|-----------------------|-------------------|-------------------------|-------------------------|
| County Pool Investments | \$ 36,692,892         | \$ 36,706,933     | \$ 28,978,714           | \$ 7,714,178            |

**Business-Type Activities:**

| <u>Investment Type</u>  | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>More Than 1 Year</u> |
|-------------------------|-----------------------|-------------------|-------------------------|-------------------------|
| County Pool Investments | \$ 1,108,586          | \$ 1,109,010      | \$ 875,521              | \$ 233,065              |

**Fiduciary Activities:**

| <u>Investment Type</u>  | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Less Than 1 Year</u> | <u>More Than 1 Year</u> |
|-------------------------|-----------------------|-------------------|-------------------------|-------------------------|
| County Pool Investments | \$ 697,962            | \$ 698,229        | \$ 551,225              | \$ 146,737              |

**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. Presented below is the minimum rating required by the California Government Code, the County Office's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

**Governmental Activities:**

| <u>Investment Type</u>  | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Rating as of Year End</u> |           |                |
|-------------------------|-----------------------|-------------------|------------------------------|-----------|----------------|
|                         |                       |                   | <u>AAA</u>                   | <u>Aa</u> | <u>Unrated</u> |
| County Pool Investments | \$ 36,692,892         | \$ 36,706,933     |                              |           | \$ 36,692,892  |

**Business-Type Activities:**

| <u>Investment Type</u>  | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Rating as of Year End</u> |           |                |
|-------------------------|-----------------------|-------------------|------------------------------|-----------|----------------|
|                         |                       |                   | <u>AAA</u>                   | <u>Aa</u> | <u>Unrated</u> |
| County Pool Investments | \$ 1,108,586          | \$ 1,109,010      |                              |           | \$ 1,108,586   |

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)**

**Fiduciary Activities:**

| <u>Investment Type</u>  | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Rating as of Year End</u> |           |                |
|-------------------------|-----------------------|-------------------|------------------------------|-----------|----------------|
|                         |                       |                   | <u>AAA</u>                   | <u>Aa</u> | <u>Unrated</u> |
| County Pool Investments | \$ 697,962            | \$ 698,229        |                              |           | \$ 697,962     |

**Concentration of Credit Risk**

The investment policy of the County Office contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. However, the County Office does not hold any investments in any one issuer, at year-end, that represents five percent or more of the total investments held by the County Office.

**Custodial Credit Risk - Deposits**

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

**Custodial Credit Risk - Investments**

This is the risk that in the event of the failure of the counterparty, the County Office will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The County Office does not have a policy limiting the amount of securities that can be held by counterparties. As of June 30, 2012, the County Office does not have any investments that are held by counterparties.

**Derivative Investments**

The County Office does not directly invest in any derivative investments. Information relating to the use of derivative investments by the Marin County Treasury was not available.

**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations are as follows:

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS (CONCLUDED)**

| <u>Fund</u>                 | <u>Excess<br/>Expenditures</u> |
|-----------------------------|--------------------------------|
| County School Service Fund: |                                |
| Other Expenditures          | \$ 1,129,535                   |

The County Office incurred unanticipated expenditures in the above expenditure classification for which the budget was not revised.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2012 consist of the following:

|                    | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Fiduciary<br/>Activities</u> |
|--------------------|------------------------------------|-------------------------------------|---------------------------------|
| Federal Government | \$ 3,588,029                       |                                     |                                 |
| State Government   | 2,224,625                          |                                     |                                 |
| Local Governments  | 1,965,832                          |                                     |                                 |
| Interest           | 280                                |                                     |                                 |
| Miscellaneous      | <u>1,570,319</u>                   | <u>\$ 205,576</u>                   | <u>\$ 24,735</u>                |
| Totals             | <u>\$ 9,349,085</u>                | <u>\$ 205,576</u>                   | <u>\$ 24,735</u>                |

**NOTE 5 - INTERFUND ACTIVITIES**

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**A. Due From/Due To Other Funds**

Individual fund interfund receivable and payable balances at June 30, 2012 are as follows:

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 5 - INTERFUND ACTIVITIES (CONCLUDED)**

**A. Due From/Due To Other Funds (Concluded)**

| <u>Funds</u>                   | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|--------------------------------|----------------------------------|-------------------------------|
| County School Service          | \$ 428,574                       | \$ 116,297                    |
| Deferred Maintenance           |                                  | 2,641                         |
| Special Education Pass-Through |                                  | 61,787                        |
| Child Development              |                                  | 70,020                        |
| Self-Insurance                 | <u>88,923</u>                    | <u>          </u>             |
| Subtotals                      | 517,497                          | 250,745                       |
| Enterprise                     | <u>27,375</u>                    | <u>294,127</u>                |
| Totals                         | <u>\$ 544,872</u>                | <u>\$ 544,872</u>             |

All interfund receivables and payables are scheduled to be paid within one year.

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for fiscal year 2011-12 were as follows:

| <u>Funds</u>          | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|----------------------|
| County School Service | \$ 302,850          | \$ 27,375            |
| Child Development     | <u>          </u>   | <u>8,724</u>         |
| Subtotals             | 302,850             | 36,099               |
| Enterprise            | <u>27,375</u>       | <u>294,126</u>       |
| Totals                | <u>\$ 330,225</u>   | <u>\$ 330,225</u>    |

Transfer \$27,375 of child nutrition revenues from the County School Service Fund to the Walker Creek Ranch (Enterprise) Fund.

Transfer of \$8,724 from the Child Development Fund to the County School Service Fund for indirect costs.

Transfer of \$294,126 from the Walker Creek Ranch (Enterprise) Fund to the County School Service Fund for indirect costs.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2012, are shown below:

**Governmental Activities**

|                                                | Balances<br>July 1, 2011 | Additions         | Deletions       | Balances<br>June 30, 2012 |
|------------------------------------------------|--------------------------|-------------------|-----------------|---------------------------|
| Land                                           | \$ 400,000               |                   |                 | \$ 400,000                |
| Buildings and Improvements                     | 8,702,072                | \$ 975,936        |                 | 9,678,008                 |
| Furniture and Equipment                        | 2,580,051                | 61,384            | \$ 33,025       | 2,608,410                 |
| Totals at Historical Cost                      | 11,682,123               | 1,037,320         | 33,025          | 12,686,418                |
| Less Accumulated Depreciation for:             |                          |                   |                 |                           |
| Buildings and Improvements                     | 3,902,204                | 280,191           |                 | 4,182,395                 |
| Furniture and Equipment                        | 2,012,099                | 94,937            | 25,112          | 2,081,924                 |
| Total Accumulated Depreciation                 | 5,914,303                | 375,128           | 25,112          | 6,264,319                 |
| Governmental Activities<br>Capital Assets, net | <u>\$ 5,767,820</u>      | <u>\$ 662,192</u> | <u>\$ 7,913</u> | <u>\$ 6,422,099</u>       |

Depreciation expense was charged to governmental activities as follows:

Instruction \$ 375,128

**Business-Type Activities**

|                                                 | Balances<br>July 1, 2011 | Additions          | Deletions   | Balances<br>June 30, 2012 |
|-------------------------------------------------|--------------------------|--------------------|-------------|---------------------------|
| Land                                            | \$ 1,674,221             |                    |             | \$ 1,674,221              |
| Buildings and Improvements                      | 2,826,542                |                    |             | 2,826,542                 |
| Furniture and Equipment                         | 248,639                  | \$ 25,484          |             | 274,123                   |
| Totals at Historical Cost                       | 4,749,402                | 25,484             | \$ 0        | 4,774,886                 |
| Less Accumulated Depreciation for:              |                          |                    |             |                           |
| Buildings and Improvements                      | 1,196,793                | 73,159             |             | 1,269,952                 |
| Furniture and Equipment                         | 179,247                  | 12,560             |             | 191,807                   |
| Total Accumulated Depreciation                  | 1,376,040                | 85,719             | 0           | 1,461,759                 |
| Business-Type Activities<br>Capital Assets, net | <u>\$ 3,373,362</u>      | <u>\$ (60,235)</u> | <u>\$ 0</u> | <u>\$ 3,313,127</u>       |

Depreciation expense was charged to business-type activities as follows:

Enterprise \$ 85,719

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

From an accrual accounting perspective, the cost of other post employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when the benefits are paid or provided. Governmental Accounting Standards Board Statement No. 45 requires an accrual basis measurement and recognition of OPEB cost over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and to what extent progress is being made in funding the plan.

*Plan Descriptions:* The County Office provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits from CalSTRS or CalPERS. Certain members may receive benefits under a prior grandfathered plan. The benefits provided to eligible retirees are generally as follows:

|                         | <u>Certificated</u>                                                                                    | <u>Classified and<br/>Classified<br/>Management</u>                                                         | <u>Administrators</u> |
|-------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------|
| Benefits Types Provided | Medical only                                                                                           | Medical only                                                                                                | Medical only          |
| Duration of Benefits    | To age 65                                                                                              | To age 65                                                                                                   | To age 65             |
| Required Service        | 10 years                                                                                               | 10 years                                                                                                    | 10 years              |
| Minimum Age             | 55                                                                                                     | 55                                                                                                          | 55                    |
| Dependent Coverage      | No                                                                                                     | No                                                                                                          | Yes                   |
| County Office           |                                                                                                        |                                                                                                             |                       |
| Contribution %          | 100%                                                                                                   | 100%                                                                                                        | 100%                  |
| County Office Cap       | \$100 per month for<br>10-14 years of service<br>\$200 per month for<br>15 or more years of<br>service | \$51.06 per month for<br>10-14 years of service<br>\$102.12 per month for<br>15 or more years of<br>service | Active cap            |

All contracts with County Office employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

For the County Office, OPEB benefits are administered by County Office personnel. No separate financial statements are issued.

The number of participants as of April 1, 2010, the effective date of the biennial OPEB valuation is as follows:

|                   |                   |
|-------------------|-------------------|
| Active employees  | 248               |
| Retired employees | <u>12</u>         |
| Total             | <u><u>260</u></u> |

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

***Funding Policy:*** The County Office currently pays for post employment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

***Annual OPEB Cost and Net OPEB Obligation:*** The following table shows the components of the County Office's annual OPEB cost for the fiscal year ended June 30, 2012, the amount actually contributed to the plan, and changes in the County Office's net OPEB obligation that resulted in a net OPEB obligation of \$220,403 for the year ended June 30, 2012.

**Level Dollar Amortization**

Calculation of ARC under Entry Age Normal Method

|                                                   |                          |
|---------------------------------------------------|--------------------------|
| Normal cost with interest to end of year          | \$ 21,230                |
| Amortization of UAAL with interest to end of year | <u>139,476</u>           |
| Annual required contribution (ARC)                | 160,706                  |
| Interest on Net OPEB Obligation                   | 8,754                    |
| Adjustment to ARC                                 | <u>(11,389)</u>          |
| Annual OPEB cost (expense)                        | 158,071                  |
| Contributions for the fiscal year                 | <u>(112,745)</u>         |
| Increase in Net OPEB Obligation                   | 45,326                   |
| Net OPEB Obligation - June 30, 2011               | <u>175,077</u>           |
| Net OPEB Obligation - June 30, 2012               | <u><u>\$ 220,403</u></u> |

The County Office's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years are presented in the following table:

| <u>Fiscal Year Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|--------------------------|-----------------------------|-----------------------------------|--------------------------------|
| June 30, 2012            | \$ 158,071                  | 71.3%                             | \$ 220,403                     |
| June 30, 2011            | 208,208                     | 48.7%                             | 175,077                        |
| June 30, 2010            | 129,594                     | 71.8%                             | 68,315                         |

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONCLUDED)**

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2010, actuarial valuation, the liabilities were computed using the entry age normal method and the County Office's unfunded actuarial accrued liability (UAAL) is being amortized using the level dollar method over 30 years. The actuarial assumptions utilized a 5% discount rate, the expected long-term rate of return on County Office assets. The compensation increase rate of 3% was provided by the County Office and based on the historical data. The valuation assumes a 4% health care cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin.

**NOTE 8 - LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2012, is shown below:

|                                   | Balances<br>July 1, 2011 | Additions         | Deductions        | Balances<br>June 30, 2012 | Due within<br>One Year |
|-----------------------------------|--------------------------|-------------------|-------------------|---------------------------|------------------------|
| Compensated Absences              | \$ 231,761               | \$ 222,734        | \$ 231,761        | \$ 222,734                | \$ 222,734             |
| Other Post Employment<br>Benefits | 175,077                  | 158,071           | 112,745           | 220,403                   | 99,977                 |
| Totals                            | <u>\$ 406,838</u>        | <u>\$ 380,805</u> | <u>\$ 344,506</u> | <u>\$ 443,137</u>         | <u>\$ 322,711</u>      |

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 9 - FUND BALANCES**

The County Office's fund balances at June 30, 2012 consisted of the following:

|                        | County<br>School<br>Service<br>Fund | Special<br>Education<br>Pass-<br>Through<br>Fund | Capital<br>Projects -<br>Special<br>Reserve<br>Fund | Non-Major<br>Governmental<br>Funds | Totals               |
|------------------------|-------------------------------------|--------------------------------------------------|-----------------------------------------------------|------------------------------------|----------------------|
| Nonspendable           | \$ 124,666                          |                                                  |                                                     |                                    | \$ 124,666           |
| Restricted             | 7,168,076                           |                                                  |                                                     | \$ 401                             | 7,168,477            |
| Assigned               |                                     | \$ 3,717                                         | \$ 17,462,035                                       | 3,124,157                          | 20,589,909           |
| Unassigned:            |                                     |                                                  |                                                     |                                    |                      |
| Economic Uncertainties | 1,693,179                           |                                                  |                                                     |                                    | 1,693,179            |
| Other                  | 10,183,727                          |                                                  |                                                     |                                    | 10,183,727           |
| Totals                 | <u>\$ 19,169,648</u>                | <u>\$ 3,717</u>                                  | <u>\$ 17,462,035</u>                                | <u>\$ 3,124,558</u>                | <u>\$ 39,759,958</u> |

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS**

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

**A. State Teachers' Retirement System (CalSTRS)**

Plan Description

The County Office contributes to the State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from the CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the County Office is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The County Office's contributions to CalSTRS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$701,749, \$690,115, and \$758,964, respectively, and equal 100% of the required contributions for each year.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)**

**B. California Public Employees' Retirement System (CalPERS)**

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the County Office is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-12 was 10.923%. The contribution requirements of the plan members are established by State statute. The County Office's contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$836,063, \$806,506, and \$752,319, respectively, and equal 100% of the required contributions for each year.

**C. 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 County Office has elected to use Social Security as its alternative plan. Contributions made by the County Office and an employee vest immediately. The County Office contributes 6.2% of an employee's gross earnings. In addition, each employee was required to contribute 4.2% of their gross earnings.

**NOTE 11 - ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA**

The County Office was the recipient of on-behalf payments made by the State of California to the State Teachers' Retirement System (CalSTRS) for K-12 education. These payments consist of state general fund contributions of \$446,639 to CalSTRS (4.855% of salaries subject to CalSTRS).

**NOTE 12 - RISK MANAGEMENT**

The County Office is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011-12, the County Office participated in one joint powers authority (JPA) for purposes of pooling for risk.

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 13 - JOINT VENTURE**

The County Office participates in one joint venture under a joint powers agreement (JPA) with the Marin Schools Insurance Authority (MSIA) for workers' compensation and property & liability insurance coverage. The relationship between the County Office and the JPA is such that the JPA is not a component unit of the County Office for financial reporting purposes.

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

The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's management.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**A. State and Federal Allowances, Awards and Grants**

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

**B. Litigation**

The County Office is subject to various legal proceedings and claims. In the opinion of management, the ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the County Office.



## SUPPLEMENTARY INFORMATION SECTION



**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - COUNTY SCHOOL SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                                 | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|-------------------------------------------------|----------------------------|-------------------------|---------------|-----------------------------------------------------------------------|
| <b><u>Revenues</u></b>                          |                            |                         |               |                                                                       |
| Revenue Limit Sources:                          |                            |                         |               |                                                                       |
| State Apportionment                             | \$ 1,683,458               | \$ 1,687,292            | \$ 1,626,960  | \$ (60,332)                                                           |
| Local Sources                                   | 12,276,471                 | 12,276,471              | 12,644,048    | 367,577                                                               |
| Total Revenue Limit Sources                     | 13,959,929                 | 13,963,763              | 14,271,008    | 307,245                                                               |
| Federal Revenue                                 | 4,289,538                  | 5,226,827               | 5,501,051     | 274,224                                                               |
| Other State Revenue                             | 6,141,832                  | 7,308,690               | 6,853,236     | (455,454)                                                             |
| Other Local Revenue                             | 8,754,105                  | 9,916,816               | 9,117,688     | (799,128)                                                             |
| Total Revenues                                  | 33,145,404                 | 36,416,096              | 35,742,983    | (673,113)                                                             |
| <b><u>Expenditures</u></b>                      |                            |                         |               |                                                                       |
| Certificated Salaries                           | 9,350,971                  | 9,864,167               | 8,934,262     | 929,905                                                               |
| Classified Salaries                             | 7,634,248                  | 8,342,324               | 7,317,063     | 1,025,261                                                             |
| Employee Benefits                               | 6,023,873                  | 5,507,028               | 5,084,165     | 422,863                                                               |
| Books and Supplies                              | 815,016                    | 1,629,229               | 813,946       | 815,283                                                               |
| Services and Other                              |                            |                         |               |                                                                       |
| Operating Expenditures                          | 8,770,138                  | 11,401,467              | 8,000,936     | 3,400,531                                                             |
| Capital Outlay                                  | 50,000                     | 672,658                 | 619,084       | 53,574                                                                |
| Other Expenditures                              | 1,675,000                  | 1,764,577               | 2,894,112     | (1,129,535)                                                           |
| Total Expenditures                              | 34,319,246                 | 39,181,450              | 33,663,568    | 5,517,882                                                             |
| Excess of Revenues Over<br>(Under) Expenditures | (1,173,842)                | (2,765,354)             | 2,079,415     | 4,844,769                                                             |
| <b><u>Other Financing Sources (Uses)</u></b>    |                            |                         |               |                                                                       |
| Operating Transfers In                          | 740,899                    | 555,899                 | 302,850       | (253,049)                                                             |
| Operating Transfers Out                         | (373,241)                  | (188,241)               | (27,375)      | 160,866                                                               |
| Total Other Financing<br>Sources (Uses)         | 367,658                    | 367,658                 | 275,475       | (92,183)                                                              |
| Net Change in Fund Balances                     | (806,184)                  | (2,397,696)             | 2,354,890     | \$ 4,752,586                                                          |
| Fund Balances - July 1, 2011                    | 16,814,758                 | 16,814,758              | 16,814,758    |                                                                       |
| Fund Balances - June 30, 2012                   | \$ 16,008,574              | \$ 14,417,062           | \$ 19,169,648 |                                                                       |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - SPECIAL EDUCATION PASS-THROUGH FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                               | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>   | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|-------------------------------|----------------------------|-------------------------|-----------------|-----------------------------------------------------------------------|
| <b><u>Revenues</u></b>        |                            |                         |                 |                                                                       |
| Revenue Limit Sources:        |                            |                         |                 |                                                                       |
| Local Sources                 | \$ 14,402,987              | \$ 14,402,987           | \$ 14,372,201   | \$ (30,786)                                                           |
| Total Revenue Limit Sources   | 14,402,987                 | 14,402,987              | 14,372,201      | (30,786)                                                              |
| Federal Revenue               | 4,428,203                  | 4,527,643               | 4,527,643       |                                                                       |
| Other State Revenue           |                            | 1,315,528               | 1,315,528       |                                                                       |
| Other Local Revenue           |                            |                         | 3,717           | 3,717                                                                 |
| Total Revenues                | 18,831,190                 | 20,246,158              | 20,219,089      | (27,069)                                                              |
| <b><u>Expenditures</u></b>    |                            |                         |                 |                                                                       |
| Other Expenditures            | 18,831,140                 | 20,246,108              | 20,215,372      | 30,736                                                                |
| Net Change in Fund Balances   | 50                         | 50                      | 3,717           | \$ 3,667                                                              |
| Fund Balances - July 1, 2011  | 0                          | 0                       | 0               |                                                                       |
| Fund Balances - June 30, 2012 | <u>\$ 50</u>               | <u>\$ 50</u>            | <u>\$ 3,717</u> |                                                                       |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MARIN COUNTY OFFICE OF EDUCATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012**

|                                             | <u>Deferred<br/>Maintenance</u> | <u>Child<br/>Development</u> | <u>County<br/>School<br/>Facilities</u> | <u>Total<br/>Non-Major<br/>Governmental<br/>Funds</u> |
|---------------------------------------------|---------------------------------|------------------------------|-----------------------------------------|-------------------------------------------------------|
| <b><u>Assets</u></b>                        |                                 |                              |                                         |                                                       |
| Deposits and Investments                    | \$ 3,185,433                    | \$ 15,019                    | \$ 239                                  | \$ 3,200,691                                          |
| Receivables                                 |                                 | 60,041                       |                                         | 60,041                                                |
| Total Assets                                | <u>\$ 3,185,433</u>             | <u>\$ 75,060</u>             | <u>\$ 239</u>                           | <u>\$ 3,260,732</u>                                   |
| <b><u>Liabilities and Fund Balances</u></b> |                                 |                              |                                         |                                                       |
| Liabilities:                                |                                 |                              |                                         |                                                       |
| Accounts Payable                            | \$ 58,635                       | \$ 4,878                     |                                         | \$ 63,513                                             |
| Due to Other Funds                          | 2,641                           | 70,020                       |                                         | 72,661                                                |
| Total Liabilities                           | <u>61,276</u>                   | <u>74,898</u>                |                                         | <u>136,174</u>                                        |
| Fund Balances:                              |                                 |                              |                                         |                                                       |
| Restricted                                  |                                 | 162                          | \$ 239                                  | 401                                                   |
| Assigned                                    | 3,124,157                       |                              |                                         | 3,124,157                                             |
| Total Fund Balances                         | <u>3,124,157</u>                | <u>162</u>                   | <u>239</u>                              | <u>3,124,558</u>                                      |
| Total Liabilities and Fund Balances         | <u>\$ 3,185,433</u>             | <u>\$ 75,060</u>             | <u>\$ 239</u>                           | <u>\$ 3,260,732</u>                                   |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MARIN COUNTY OFFICE OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                                 | <u>Deferred<br/>Maintenance</u> | <u>Child<br/>Development</u> | <u>County<br/>School<br/>Facilities</u> | <u>Total<br/>Non-Major<br/>Governmental<br/>Funds</u> |
|-------------------------------------------------|---------------------------------|------------------------------|-----------------------------------------|-------------------------------------------------------|
| <b><u>Revenues</u></b>                          |                                 |                              |                                         |                                                       |
| Federal Revenue                                 |                                 | \$ 107,634                   |                                         | \$ 107,634                                            |
| State Revenue                                   | \$ 172,637                      | 5,842                        |                                         | 178,479                                               |
| Local Revenue                                   | 7,584                           |                              |                                         | 7,584                                                 |
| Total Revenues                                  | <u>180,221</u>                  | <u>113,476</u>               |                                         | <u>293,697</u>                                        |
| <b><u>Expenditures</u></b>                      |                                 |                              |                                         |                                                       |
| Other Pupil Services                            |                                 | 109,047                      |                                         | 109,047                                               |
| Plant Services                                  | 112,215                         |                              |                                         | 112,215                                               |
| Facilities Acquisition and Construction         | 398,761                         |                              |                                         | 398,761                                               |
| Total Expenditures                              | <u>510,976</u>                  | <u>109,047</u>               |                                         | <u>620,023</u>                                        |
| Excess of Revenues Over<br>(Under) Expenditures | (330,755)                       | 4,429                        |                                         | (326,326)                                             |
| <b><u>Other Financing (Uses)</u></b>            |                                 |                              |                                         |                                                       |
| Operating Transfers Out                         |                                 | (8,724)                      |                                         | (8,724)                                               |
| Net Change in Fund Balances                     | (330,755)                       | (4,295)                      |                                         | (335,050)                                             |
| Fund Balances - July 1, 2011                    | <u>3,454,912</u>                | <u>4,457</u>                 | \$ 239                                  | <u>3,459,608</u>                                      |
| Fund Balances - June 30, 2012                   | <u>\$ 3,124,157</u>             | <u>\$ 162</u>                | <u>\$ 239</u>                           | <u>\$ 3,124,558</u>                                   |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FUNDING PROGRESS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Value of<br/>Assets</u> | <u>Accrued<br/>Liability<br/>(AAL)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>Percentage<br/>of Covered<br/>Payroll</u> |
|-----------------------------------------|----------------------------|----------------------------------------|------------------------------------|-------------------------|----------------------------|----------------------------------------------|
| 4/1/10                                  | \$ 0                       | \$ 2,097,411                           | \$ 2,097,411                       | 0%                      | \$ 17,116,502              | 12.3%                                        |
| 4/1/08                                  | 0                          | 1,512,912                              | 1,512,912                          | 0%                      | 17,216,758                 | 8.8%                                         |

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARIN COUNTY OFFICE OF EDUCATION  
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

---

ORGANIZATION

The Marin County Office of Education was established in 1854 and has responsibility for an area of approximately 520 square miles located in Marin County. There were no changes in the boundaries of the County Office during the current year. The County Office serves thirteen elementary school districts, two joint union elementary school districts, two unified school districts, two high school districts, and one community college.

BOARD OF EDUCATION

| <u>Name</u>              | <u>Office</u>  | <u>Term Expires</u> |
|--------------------------|----------------|---------------------|
| Patricia D. Garbarino    | President      | December, 2015      |
| David M. Hellman         | Vice President | December, 2013      |
| Curtis F. Robinson, M.D. | Member         | December, 2013      |
| Clairette C. Wilson      | Member         | December, 2015      |
| Patricia A. Warren       | Member         | December, 2015      |
| Robert Goldman           | Member         | December, 2015      |
| Marilyn L. Nemzer        | Member         | December, 2013      |

ADMINISTRATION

Mary Jane Burke  
County Superintendent of Schools

Susan Markx  
Deputy Superintendent

Luke McCann  
Assistant Superintendent

Terena Mares  
Assistant Superintendent

**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                                   | <u>Second<br/>Period<br/>Report</u> | <u>Annual<br/>Report</u> |
|---------------------------------------------------|-------------------------------------|--------------------------|
| <u>Elementary</u>                                 |                                     |                          |
| Juvenile Halls, Homes and Camps                   | 1.72                                | 1.75                     |
| Community Schools Pupils - Probation Referred     | 3.43                                | 4.19                     |
| Community Schools Pupils - Pupils Expelled        | 0                                   | 0.02                     |
| Special Day Class                                 | 102.37                              | 102.11                   |
| Special Education Students - Extended Year        | 11.14                               | 11.14                    |
| Special Education - NPS - LCI                     | 21.98                               | 27.52                    |
| Special Education - NPS - LCI - Extended Year     | 5.03                                | 5.03                     |
| Subtotals                                         | <u>145.67</u>                       | <u>151.76</u>            |
| <u>Secondary</u>                                  |                                     |                          |
| Juvenile Halls, Homes and Camps                   | 19.80                               | 19.34                    |
| Community Schools Pupils - Probation Referred     | 66.51                               | 65.25                    |
| Community Schools Pupils - Pupils Expelled        | 3.57                                | 3.50                     |
| County Community Schools                          | 6.55                                | 6.09                     |
| Special Day Class                                 | 96.12                               | 92.07                    |
| Special Education Students - Extended Year        | 7.86                                | 7.86                     |
| Special Education - NPS - LCI                     | 16.61                               | 17.82                    |
| Special Education - NPS - LCI - Extended Year     | 2.19                                | 2.19                     |
| Subtotals                                         | <u>219.21</u>                       | <u>214.12</u>            |
| <u>Phoenix Academy Charter School - Secondary</u> |                                     |                          |
| Classroom-Based ADA:                              |                                     |                          |
| Community Schools Pupils - Probation Referred     | 11.98                               | 11.13                    |
| Community Schools Pupils - Pupils Expelled        | 0.29                                | 0.22                     |
| County Community Schools - Classroom Based        | 0.33                                | 0.26                     |
| Subtotals                                         | <u>12.60</u>                        | <u>11.61</u>             |
| <u>Adult Education</u>                            |                                     |                          |
| Adults in Correctional Facilities                 | <u>34.52</u>                        | <u>38.14</u>             |
| Totals                                            | <u><u>412.00</u></u>                | <u><u>415.63</u></u>     |

**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| <u>Grade Level</u> | <u>1986-87<br/>Minutes<br/>Required</u> | <u>Adjusted<br/>1986-87<br/>Minutes<br/>Required</u> | <u>2011-12<br/>Actual<br/>Minutes</u> | <u>Number<br/>of Days<br/>Traditional<br/>Calendar</u> | <u>Status</u> |
|--------------------|-----------------------------------------|------------------------------------------------------|---------------------------------------|--------------------------------------------------------|---------------|
| Kindergarten       | 36,000                                  | 33,600                                               | 41,240                                | 180                                                    | In Compliance |
| Grade 1            | 50,400                                  | 47,040                                               | 52,270                                | 180                                                    | In Compliance |
| Grade 2            | 50,400                                  | 47,040                                               | 52,270                                | 180                                                    | In Compliance |
| Grade 3            | 50,400                                  | 47,040                                               | 52,270                                | 180                                                    | In Compliance |
| Grade 4            | 54,000                                  | 50,400                                               | 54,490                                | 180                                                    | In Compliance |
| Grade 5            | 54,000                                  | 50,400                                               | 54,490                                | 180                                                    | In Compliance |
| Grade 6            | 54,000                                  | 50,400                                               | 56,688                                | 180                                                    | In Compliance |
| Grade 7            | 54,000                                  | 50,400                                               | 56,688                                | 180                                                    | In Compliance |
| Grade 8            | 54,000                                  | 50,400                                               | 56,688                                | 180                                                    | In Compliance |
| Grade 9            | 64,800                                  | 60,480                                               | 65,021                                | 180                                                    | In Compliance |
| Grade 10           | 64,800                                  | 60,480                                               | 65,021                                | 180                                                    | In Compliance |
| Grade 11           | 64,800                                  | 60,480                                               | 65,021                                | 180                                                    | In Compliance |
| Grade 12           | 64,800                                  | 60,480                                               | 65,021                                | 180                                                    | In Compliance |

The County Office must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201.

**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| <u>Program Name</u>                                                                                                     | <u>Federal<br/>Catalog<br/>Number</u> | <u>Pass-Through<br/>Identification<br/>Number</u> | <u>Federal<br/>Program<br/>Expenditures</u> |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------|---------------------------------------------|
| U.S. Department of Agriculture:<br>Passed through California<br>Department of Education (CDE):<br>National School Lunch | 10.555                                | 13524                                             | \$ 27,375                                   |
| U.S. Department of Education:<br>Passed through CDE:                                                                    |                                       |                                                   |                                             |
| NCLB: Title I Basic Grant Low-Income & Neglected<br>Title I, Part D Cluster:                                            | 84.010                                | 14329                                             | 221,434                                     |
| NCLB: Title I Local Delinquent Programs                                                                                 | 84.013                                | 14357                                             | 222,054                                     |
| NCLB: ARRA Title I Local Delinquent Programs                                                                            | 84.389A                               | 15009                                             | 29,517                                      |
| NCLB: Title II Improving Teacher Quality                                                                                | 84.367                                | 14341                                             | 6,464                                       |
| NCLB: Title III Limited English Proficient                                                                              | 84.365                                | 14346                                             | 51,055                                      |
| NCLB: Title III Immigrant Education Program                                                                             | 84.365                                | 15146                                             | 671                                         |
| NCLB: Title X McKinney-Vento Homeless Assistance                                                                        | 84.196                                | 14332                                             | 38,406                                      |
| NCLB: ARRA Title X McKinney-Vento Homeless Assistance                                                                   | 84.387                                | 15007                                             | 7,845                                       |
| ARRA State Fiscal Stabilization Fund                                                                                    | 84.394                                | 25008                                             | 131,728                                     |
| Education Jobs Fund                                                                                                     | 84.410                                | 25152                                             | 27,461                                      |
| Special Education Cluster:                                                                                              |                                       |                                                   |                                             |
| IDEA Part B Basic Local Assistance                                                                                      | 84.027                                | 13379                                             | 5,292,237                                   |
| IDEA Part B Preschool Grants                                                                                            | 84.173                                | 13430                                             | 268,531                                     |
| IDEA Part B Preschool Local Entitlement                                                                                 | 84.027A                               | 13682                                             | 643,152                                     |
| IDEA Part B Mental Health Allocation Plan                                                                               | 84.027A                               | 14468                                             | 530,545                                     |
| ARRA IDEA Part B Basic Local Assistance                                                                                 | 84.391                                | 15003                                             | 1,021,936                                   |
| ARRA IDEA Part B Preschool Grants                                                                                       | 84.392                                | 15000                                             | 111,190                                     |
| ARRA IDEA Part B Preschool Local Entitlement                                                                            | 84.391                                | 15002                                             | 493,130                                     |
| Special Education Alternative Dispute Resolution                                                                        | 84.027                                | 13007                                             | 3,978                                       |
| IDEA Part C Early Intervention                                                                                          | 84.181                                | 23761                                             | 254,521                                     |
| Department of Rehabilitation: Workability II                                                                            | 84.158                                | 10006                                             | 79,100                                      |
| Vocational Programs                                                                                                     | 84.048                                | 13924                                             | 13,331                                      |
| Pass-through Funds to the Willow Creek Academy Charter School:                                                          |                                       |                                                   |                                             |
| Charter School:                                                                                                         |                                       |                                                   |                                             |
| NCLB: Title I, Part A, Basic Grant Low-Income & Neglected **                                                            | 84.010                                | 14329                                             | 38,103                                      |
| NCLB: Title II Improving Teacher Quality **                                                                             | 84.367                                | 14341                                             | 1,652                                       |
| Received Direct:                                                                                                        |                                       |                                                   |                                             |
| Readiness and Emergency Management for Schools                                                                          | 84.184E                               | n/a                                               | 64,623                                      |
| U.S. Department of Health and Human Services:                                                                           |                                       |                                                   |                                             |
| Passed through CDE:                                                                                                     |                                       |                                                   |                                             |
| CCDF Cluster:                                                                                                           |                                       |                                                   |                                             |
| Child Development: Local Planning Council                                                                               | 93.575                                | 13946                                             | 49,865                                      |
| Child Development: Child Care Staff Retention Program                                                                   | 93.575                                | 14988                                             | 57,769                                      |
| Medi-Cal Billing                                                                                                        | 93.778                                | 10013                                             | 291,893                                     |
| Total                                                                                                                   |                                       |                                                   | \$ 9,979,566                                |

\*\* The County Office acts as a pass-through entity for these federal funds transferred to the Charter School. The County Office does not provide oversight, guidance or monitoring for these programs. The Charter School is responsible for compliance with applicable federal requirements and its compliance is audited by their independent auditor.

**MARIN COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                                                   | County<br>School<br>Service<br>Fund | Special<br>Revenue -<br>Special<br>Reserve<br>Fund |
|-------------------------------------------------------------------|-------------------------------------|----------------------------------------------------|
| June 30, 2012 Annual Financial and<br>Budget Report Fund Balances | \$ 18,986,570                       | \$ 183,078                                         |
| Reclassification Increasing (Decreasing)<br>Fund Balances:        |                                     |                                                    |
| Overstatement of Fund Balance                                     |                                     | (183,078)                                          |
| Understatement of Fund Balance                                    | 183,078                             |                                                    |
| June 30, 2012 Audited Financial<br>Statements Fund Balances       | \$ 19,169,648                       | \$ 0                                               |

The reclassification of fund balance above was required as a result of the definition of special revenue funds prescribed by GASB 54.

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2012.

**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

|                                                                        | COUNTY SCHOOL SERVICE FUND |               |               |               |
|------------------------------------------------------------------------|----------------------------|---------------|---------------|---------------|
|                                                                        | (Budget) *<br>2012-13      | 2011-12       | 2010-11       | 2009-10       |
| Revenues and Other Financial Sources                                   | \$ 32,641,245              | \$ 36,045,833 | \$ 54,149,003 | \$ 54,828,103 |
| Expenditures                                                           | 34,111,250                 | 33,663,568    | 51,108,185    | 51,279,901    |
| Other Uses and Transfers Out                                           | 4,117,756                  | 27,375        | 16,380,547    | 197,153       |
| Total Outgo                                                            | 38,229,006                 | 33,690,943    | 67,488,732    | 51,477,054    |
| Change in Fund Balance                                                 | (5,587,761)                | 2,354,890     | (13,339,729)  | 3,351,049     |
| Ending Fund Balance                                                    | \$ 13,581,887              | \$ 19,169,648 | \$ 16,814,758 | \$ 30,154,487 |
| Available Reserves                                                     | \$ 6,707,942               | \$ 11,876,906 | \$ 9,555,534  | \$ 17,801,463 |
| Reserve for Economic Uncertainties **                                  | \$ 1,911,450               | \$ 1,693,179  | \$ 3,374,437  | \$ 2,573,853  |
| Available Reserves as a Percentage<br>of Total Outgo                   | 17.5%                      | 35.3%         | 14.2%         | 34.6%         |
| Total Long-Term Liabilities                                            | \$ 120,426                 | \$ 443,137    | \$ 406,838    | \$ 290,842    |
| Average Daily Attendance at Annual<br>(Exclusive of Adult and ROP ADA) | 377                        | 377           | 438           | 461           |

\* Amounts reported for the 2012-13 budget are presented for analytical purposes only and have not been audited.

\*\* Reported balances are a component of available reserves.

The fund balance of the County School Service Fund decreased \$10,984,839 (36.4%) over the past two years, due primarily to the transfer of \$15,357,288 to the Capital Projects - Special Reserve Fund in fiscal year 2010-11. The fiscal year 2012-13 budget projects a decrease of \$5,587,761 (29.1%). For a County Office of this size, the state recommends available reserves of at least 2% of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County Office produced operating surpluses of \$2,354,890 and \$3,351,049 during fiscal years 2011-12 and 2009-10, respectively, and incurred an operating deficit of \$13,339,729 during fiscal 2010-11, due primarily to the transfer of \$15,357,288 to the Capital Projects - Special Reserve Fund for future facility related needs.

Total long-term liabilities increased \$152,295 over the past two years.

Average daily attendance (ADA) decreased 84 ADA over the past two years. The County Office projects no change in ADA during fiscal year 2012-13.

MARIN COUNTY OFFICE OF EDUCATION  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

---

Charter Schools

Phoenix Academy

County Office Audit

Included

SEE NOTES TO SUPPLEMENTARY INFORMATION

**MARIN COUNTY OFFICE OF EDUCATION**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES**

**A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the County Office is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the County School Service Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object.

**B. Combining Statements**

Combining statements are presented for purposes of additional analysis, and are not a required part of the County Office's basic financial statements. These statements present more detailed information about the financial position and financial activities of the County Office's individual funds.

**C. Schedule of Funding Progress**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the County Office is required to present a Schedule of Funding Progress which shows the funding progress of the County Office's OPEB plan for the most recent valuation and the two preceding valuations. The information required to be disclosed includes the valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll.

**D. Schedule of Average Daily Attendance**

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

Average daily attendance is a measurement of the number of pupils attending classes of the Phoenix Academy Charter School. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to charter schools. This schedule provides information regarding the attendance of classroom-based and total students in different programs.

**E. Schedule of Instructional Time**

The County Office received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the County Office and whether the County Office complied with the provisions of Education Code Sections 46200 through 46206.

MARIN COUNTY OFFICE OF EDUCATION  
NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

---

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

F. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activities of the County Office and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Of the federal expenditures presented in the schedule, the County Office provided federal awards to subrecipients as follows:

|                                       | <u>Federal</u>                        |                                      |
|---------------------------------------|---------------------------------------|--------------------------------------|
|                                       | <u>Federal<br/>Catalog<br/>Number</u> | <u>Amount<br/>Passed<br/>Through</u> |
| Special Education Cluster:            |                                       |                                      |
| IDEA Part B Basic Local Assistance    | 84.027                                | \$ 4,527,643                         |
| IDEA Part B Preschool Grants          | 84.173                                | 161,983                              |
| IDEA Part B Preschool Local           | 84.027A                               | 383,225                              |
| American Recovery & Reinvestment Act: |                                       |                                      |
| IDEA Part B Basic Local Assistance    | 84.391                                | <u>1,021,936</u>                     |
|                                       |                                       | <u>\$ 6,094,787</u>                  |

G. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances or net assets of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

H. Schedule of Financial Trends and Analysis

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

I. Schedule of Charter Schools

This schedule lists all charter schools chartered by the County Office and identifies whether or not the charter schools were included or excluded from the audit of the County Office.

## OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



# **STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

Board of Education  
Marin County Office of Education  
San Rafael, California

We have audited Marin County Office of Education's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12* to the state laws and regulations listed below for the year ended June 30, 2012. Compliance with the requirements of state laws and regulations is the responsibility of the County Office's management. Our responsibility is to express an opinion on Marin County Office of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, prescribed in the California Code of Regulations, Title 5, section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Marin County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Marin County Office of Education's compliance with those requirements.

| <u>Description</u>                             | <u>Procedures<br/>in Education Audit<br/>Appeals Panel's<br/>Audit Guide</u> | <u>Procedures<br/>Performed</u> |
|------------------------------------------------|------------------------------------------------------------------------------|---------------------------------|
| Attendance Accounting:                         |                                                                              |                                 |
| Attendance Reporting                           | 6                                                                            | Yes                             |
| Teacher Certification and Misassignments       | 3                                                                            | Yes                             |
| Kindergarten Continuance                       | 3                                                                            | Not Applicable                  |
| Independent Study                              | 23                                                                           | Yes                             |
| Continuation Education                         | 10                                                                           | Not Applicable                  |
| Instructional Time:                            |                                                                              |                                 |
| School Districts                               | 6                                                                            | Not Applicable                  |
| County Offices of Education                    | 3                                                                            | Yes                             |
| Instructional Materials:                       |                                                                              |                                 |
| General Requirements                           | 8                                                                            | Yes                             |
| Ratios of Administrative Employees to Teachers | 1                                                                            | Not Applicable                  |
| Classroom Teacher Salaries                     | 1                                                                            | Not Applicable                  |
| Early Retirement Incentive                     | 4                                                                            | Not Applicable                  |
| Gann Limit Calculation                         | 1                                                                            | Yes                             |
| School Accountability Report Card              | 3                                                                            | Yes                             |
| Public Hearing Requirement - Receipt of Funds  | 1                                                                            | Yes                             |

| <u>Description</u>                                                                 | <u>Procedures<br/>In Education Audit<br/>Appeals Panel's<br/>Audit Guide</u> | <u>Procedures<br/>Performed</u> |
|------------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------------------------|
| Juvenile Court Schools                                                             | 8                                                                            | Yes                             |
| Exclusion of Pupils - Pertussis Immunization                                       | 2                                                                            | Yes                             |
| Class Size Reduction:                                                              |                                                                              |                                 |
| General Requirements                                                               | 7                                                                            | Not Applicable                  |
| Option One                                                                         | 3                                                                            | Not Applicable                  |
| Option Two                                                                         | 4                                                                            | Not Applicable                  |
| Districts or Charter Schools With                                                  |                                                                              |                                 |
| Only One School Serving K-3                                                        | 4                                                                            | Not Applicable                  |
| After School Education and Safety Program:                                         |                                                                              |                                 |
| General Requirements                                                               | 4                                                                            | Not Applicable                  |
| After School                                                                       | 5                                                                            | Not Applicable                  |
| Before School                                                                      | 6                                                                            | Not Applicable                  |
| Contemporaneous Records of Attendance                                              |                                                                              |                                 |
| For Charter Schools                                                                | 3                                                                            | Yes                             |
| Mode of Instruction for Charter Schools                                            | 1                                                                            | Yes                             |
| Nonclassroom-Based Instruction/<br>Independent Study for Charter Schools           | 15                                                                           | Not Applicable                  |
| Determination of Funding for Nonclassroom-Based<br>Instruction for Charter Schools | 3                                                                            | Not Applicable                  |
| Annual Instructional Minutes - Classroom Based<br>For Charter Schools              | 4                                                                            | Not Applicable                  |

In our opinion, Marin County Office of Education complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012, except as described in the accompanying Schedule of Findings and Questioned Costs.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the County Office's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 14, 2012

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

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

Board of Education  
Marin County Office of Education  
San Rafael, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marin County Office of Education, as of and for the fiscal year ended June 30, 2012 which collectively comprise the County Office's basic financial statements, and have issued our report thereon dated December 14, 2012. 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.

Internal Control Over Financial Reporting

Management of Marin County Office of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Office's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the County Office's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 14, 2012

**STEPHEN ROATCH ACCOUNTANCY CORPORATION**

*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Marin County Office of Education  
San Rafael, California

Compliance

We have audited Marin County Office of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marin County Office of Education's major federal programs for the year ended June 30, 2012. The County Office's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County Office's management. Our responsibility is to express an opinion on Marin County Office of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marin County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Marin County Office of Education's compliance with those requirements.

In our opinion, Marin County Office of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Marin County Office of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County Office's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County Office's internal control over compliance.

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

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

This report is intended solely for the information and use of the County Office's Board, management, California State Controller's Office, California Department of Finance, California Department of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Stephen Roatch Accountancy Corporation*

STEPHEN ROATCH ACCOUNTANCY CORPORATION  
Certified Public Accountants

December 14, 2012

## FINDINGS AND QUESTIONED COSTS SECTION



**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ Yes        X   No

Significant deficiencies identified not considered  
to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_ Yes        X   No

Significant deficiencies identified not considered  
to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

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

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a) \_\_\_\_\_ Yes        X   No

Identification of major programs:

| CFDA Numbers                 | Federal Program           |
|------------------------------|---------------------------|
| 84.027/84.173/84.391/ 84.392 | Special Education Cluster |

Dollar threshold used to distinguish between Type A  
and Type B programs: \$300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes        X   No

**State Awards**

Internal control over state programs:

Material weaknesses identified? \_\_\_\_\_ Yes        X   No

Significant deficiencies identified not considered  
to be material weaknesses?   X   Yes      \_\_\_\_\_ None reported

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

**MARIN COUNTY OFFICE OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no matters to report for the fiscal year ended June 30, 2012.

**MARIN COUNTY OFFICE OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no matters to report for the fiscal year ended June 30, 2012.

**MARIN COUNTY OFFICE OF EDUCATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCY**

**12 - 1 / 10000**

**CLASS ATTENDANCE SUMMARY REPORTS**

Criteria: In accordance with Education Code Section 46000, attendance in all schools and classes shall be recorded and kept according to regulations prescribed by the State Board of Education.

Condition: Students transferring between County Office attendance programs were not properly exited from one attendance program and enrolled in another attendance program, in the computerized attendance system, in a timely manner. As a result, one student was credited with six (6) apportionment days although there were no teacher prepared and signed weekly attendance reports to support the six (6) apportionment days.

Questioned Costs: None. Period attendance is recorded on-line in the classrooms by the teachers.

Context: The condition was noted at the County Community School and Phoenix Academy Charter School throughout fiscal year 2011-12.

Effect: Period attendance per the teacher prepared and signed weekly attendance reports (source documents) did not agree to the period attendance recorded in the computerized attendance system, which was used to accumulate and report ADA on the P-2 and Annual Attendance Reports.

Causes: The Administrative Secretary did not enroll students in the new attendance program, in the computerized attendance system, in a timely manner.

Recommendation: The Administrative Secretary should ensure that all students transferring between attendance programs are properly exited from one attendance program and entered into another attendance program at the same time.

County Response: The County Office will ensure that all students transferring between attendance programs are properly exited from one attendance program and entered into another attendance program. Specifically, the Business Office is scheduling additional staff training in the area of attendance reporting that ensures the timely and accurate reporting of attendance. In addition to best attendance record keeping practices, the training will focus on entering and exiting students who transfer between programs.

**MARIN COUNTY OFFICE OF EDUCATION  
STATUS OF PRIOR YEAR RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

---

There were no matters reported in the prior year audit report.

