

SACRAMENTO COUNTY OFFICE OF EDUCATION

SACRAMENTO, CALIFORNIA

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SACRAMENTO COUNTY OFFICE OF EDUCATION

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Statement of Fiduciary Net Position	18
Notes to the Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – County School Service Fund	48
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – Special Education Pass-Through Fund	49
Schedule of Changes in the Net OPEB Liability and Related Ratios	50
Schedule of OPEB Contributions	51
Schedule of Proportionate Share of the Net Pension Liability	52
Schedule of Pension Contributions	53
Notes to Required Supplementary Information	54

SACRAMENTO COUNTY OFFICE OF EDUCATION

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Non-Major Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Funds	57
Organization	58
Schedule of Average Daily Attendance	59
Schedule of Charter Schools	60
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	61
Schedule of Expenditures of Federal Awards	62
Schedule of Financial Trends and Analysis	64
Notes to Supplementary Information	65

OTHER INDEPENDENT AUDITOR’S REPORTS

Independent Auditor's Report on Compliance with State Laws and Regulations	67
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	72

FINDINGS AND RECOMMENDATIONS

Schedule of Findings and Questioned Costs	74
Status of Prior Year Recommendations	78



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Education
Sacramento County Office of Education
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento County Office of Education (the "County Office"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County Office's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento County Office of Education, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual – County School Service Fund, Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual – Special Education Pass-through Fund, Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of OPEB Contributions, Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

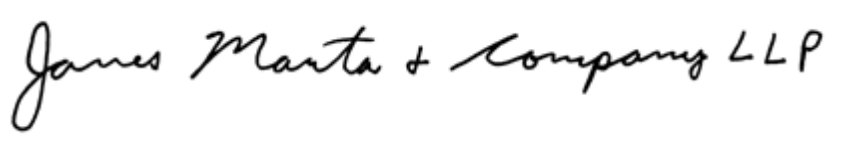
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County Office's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by the August 2020 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020 on our consideration of the County Office’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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County Office’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style. It is enclosed within a thin black rectangular border.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 13, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

SACRAMENTO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The Management's Discussion and Analysis section of the audit report is management's view of the Sacramento County Office of Education's ("County Office") financial condition and provides an opportunity to present important fiscal information to the County Board of Education and the public. This document is designed to enhance the understandability and usefulness of the audited financial statements for all users.

FINANCIAL REPORTS

At specific reporting periods during the year, the County Office prepares and presents budget revisions and interim financial reports for County Board of Education and public review. These documents represent changes to the County Office's budgeted receipts and expenditures since the July 1st adoption of the County School Services Fund budget and presents the most accurate information available at the time.

Alternatively, the Management's Discussion and Analysis and annual audit report includes several financial reports that present actual receipts and expenditures and year-end balances at the close of the fiscal year using the accrual basis of accounting. In addition to the basic Governmental Fund financial statements that comprise the Unaudited Actuals report, two government-wide financial statements are included in the audit report; the Government-Wide Statement of Net Position, which reports financial condition at the end of the year and the Government-Wide Statement of Activities, which reports activity during the year. These two statements present a longer-term view of the County Office's finances. All statements are described below.

Governmental Fund financial statements

County Office fund financial statements report operations using the modified accrual basis of accounting. As of 6/30/20, the County Office reported combined fund balances of \$93,688,747 in all governmental funds, which represents a net increase of \$14,619,888 from the prior year resulting from increases to general County Office operations as follows: Local Control Funding Formula (LCFF) revenue; LCFF System of Support funding; interest earned on County Office cash balances; and other miscellaneous funding sources.

Government-Wide Statement of Net Position

The County Office's Government-Wide Statement of Net Position includes the following information that the Governmental Funds Balance Sheet does not present: capital assets, net of accumulated depreciation; long-term liabilities, including Net Pension Liability and OPEB Liability; and Deferred Outflows and Inflows related to Net Pension Liability and OPEB. Further, amounts due to or from other County Office governmental funds are eliminated. Detail is provided in the supporting footnotes.

The following table summarizes Governmental ending balances for the past two years:

	Balance at June 30, 2020	Balance at June 30, 2019
Total Assets	\$137,841,927	\$133,618,181
Deferred Outflows	\$46,136,952	\$48,244,921
Total Liabilities	\$123,762,400	\$141,759,784
Deferred Inflows	\$22,511,672	\$9,555,928
Total Net Position	\$37,704,807	\$30,547,390

SACRAMENTO COUNTY OFFICE OF EDUCATION

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Net Position is significantly affected by Governmental Accounting Standards Board (GASB) 68 and GASB 75, as explained below:

- GASB 68 requires that the County Office calculate and report our proportionate share of Net Pension Liability, Deferred Outflow/Deferred Inflow of resources, and Pension Expense related to our defined benefit pension plan. This results in an increase to the County Office’s proportionate share of the Net Pension Liability of \$4,911,143.
- GASB 75 requires that the County Office calculate and report the full value of our Other Postemployment (Health) Benefit (OPEB) Liability and Deferred Outflow/Deferred Inflow of resources. This results in a decrease to Net OPEB Liability of \$13,208,767
- The increase to Net Pension Liability and decrease to Net OPEB Liability contributed to a net decrease to Total Liabilities and increase to Net Position, as reflected in the summary table.
- Deferred Outflows and Deferred Inflows of resources pertaining to Net Pension and OPEB Liabilities represent expenses to be recognized in future years. All such activity reduced Net Position and ending balances are separately stated in the summary table.

In addition to the effects of GASB 68 and GASB 75, Net Position was affected by adjustments to other long-term debt, net depreciation of fixed assets and timing differences in the receipt of revenues and payment off expenditures that affect assets and liabilities. These combined factors continue to result in a steady increase to the County Office’s Net Position.

Government-Wide Statement of Activities

The County Office’s Government-Wide Statement of Activities differs from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance because the Statement of Activities reports all expenses by their function rather than expense category. Each function combines related County Office operational activities. Further, the Statement of Activities is adjusted for debt repayment, payments of post-employment benefits to retirees, difference between actuarially determined and actual Pension and OPEB costs, change in compensated absences and net capital outlay expenditures.

The following table summarizes Governmental activity during the past two years:

	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019
Program Revenues	\$86,853,858	\$107,428,495
General Revenues	\$60,400,528	\$67,700,299
Expenses	(\$140,096,969)	(\$153,119,798)
Change in Net Position	\$7,157,417	\$22,008,996
Net Position - beginning, as originally stated	\$30,547,390	\$8,538,394
Prior Period Adjustment	\$0	\$0
Net Position - beginning, as restated	\$30,547,390	\$8,538,394
Net Position, Ending	\$37,704,807	\$30,547,390

Explanation for the increase to Net Position is provided above.

SACRAMENTO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

PROGRAM HIGHLIGHTS

The County Office provides direct instruction to students in the community through a variety of programs. These programs comprise approximately 19% of the County Office budget. The following represents the highlights of these programs:

- The Special Education Department provides direct instruction and resource specialist services to over 600 students, ages 3-22, who have physical, communicative, learning, emotional, and/or severe disabilities. Programs are located on over 30 campuses throughout Sacramento County, including the County Office's Juvenile Court and Community School sites. Specialized services, including speech, vision, nursing and mobility are provided to students within the County Office's programs and specific district programs. The Special Education programs also provide instruction and support in the areas of academics, daily living skills, transition skills, and career preparation.
- The Infant Development Program provides early intervention services to almost 400 infants and toddlers, birth to age 3, and their families each year. Services are provided within the context of the families' daily living and include nursing, occupational therapy, physical therapy, child development, social emotional development, self-help, speech, language, hearing, vision and service coordination.
- The Juvenile Court School program provides academic, career technical educational and academic intervention services, to over 800 students who are detained at the Youth Detention Facility operated by the Sacramento County Probation Department. The Juvenile Court School program prepares students for transition back to their school of residence, employment, and/or post-secondary education.
- The Community School (Base) program provides direct educational alternatives for almost 200 students who have been expelled or are not currently enrolled in local school districts. Programs are located at three campuses throughout Sacramento County. Students are provided with academic, career technical education and behavior modification services to prepare them for return to their school of residence, graduation, HiSET (High School Equivalency Test) completion and/or post-secondary education.
- The County Office operates a Senior Extension program within the Community School model that continues to grow significantly. The goal of the Senior Extension program is to re-engage students who are at risk of dropping out of school or those who have already dropped out and wish to return to complete their graduation requirements. Students, most of whom are age 18 or over, receive personalized education plans at one of the three community school campuses, allowing them to earn the credits required for graduation, HiSET and/or postsecondary transition. The students receive independent study assignments, allowing them to earn credits while still meeting work and family obligations that would have otherwise prevented them from completing their education. Students age 18 or older may refer themselves or be referred to the program by their school district. Almost 600 students were served during the year.

SACRAMENTO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

- The Community Action for Responsive Education (CARE) intervention program is a partnership between the County Office and several local secondary schools that provide instruction and support tailored to the students' educational and behavioral needs. CARE students receive their core instruction from one teacher in a small classroom environment focusing on English, Mathematics, Science, Social Studies and study skills. CARE students are eligible to participate in elective courses, physical education, and extracurricular activities according to each school's participation guidelines. The County Office also provides enrichment opportunities, parenting support, mentors, tutors, and other services for CARE students on an as-needed basis. Through participation in the CARE intervention program, students will gain the academic, behavioral and/or social skills necessary to be successful in a traditional school setting. Over 200 students were served during the year.
- Sly Park Center is a residential outdoor science program that provides educational experiences in environmental areas to elementary students from Sacramento and surrounding counties. Students may attend 5-day, 4-day, 3-day residential programs or day trips during the school year. The Sly Park Center also accommodates various student and adult conference groups during the summer. Approximately 4,500 students from 84 public and private schools were served during the year.

In addition to the above-mentioned services and programs, the County Office administers over 200 special programs, services and grants that serve adults and students in Sacramento County, neighboring counties and in some cases throughout the state of California. Adults and students are served in many capacities such as through technology support, training and evaluation services, pupil services and instructional support. Many of these programs are administered in conjunction with the state and federal governments and are subject to the fiscal requirements of these agencies. These special programs, services and grants comprise approximately 81% of the County Office's budget. The following represents the highlights of these programs:

- The K-12 Curriculum and Instruction (C&I) Department provides a variety of instructional support services to districts and schools throughout California. Technical assistance, coaching, professional learning sessions, and speakers are provided to administrators, teachers and other educators that focus on the state's content standards in English Language Arts & Literacy, Mathematics, English Language Development, Next Generation Science and History Social Studies. The C&I Department supports social and emotional learning, High-Quality First Instruction, research-based instructional practices and Expanded Learning programs. Instructional and technical support is provided to districts and schools through customized, on-site services. This support includes analyzing achievement data to improve instruction, planning programs to support English Learner students, building district capacity to deliver high quality instruction and working with principals to improve the quality of curriculum and instruction at their sites. Finally, the C&I Department facilitates professional networks for teachers and administrators that enable them to share their successes and challenges in an on-going effort to improve student achievement.
- The Early Learning Department prepares young children (prenatal through age 5) for success in elementary school and beyond by providing direct support to families and providing research-based professional learning, on-site support, technical assistance, and other resources to early education and care administrators and staff. The Department provides services and develops resources for early learning program directors and leaders from county offices of education, school districts, preschools, and private early care and education programs throughout California. The Department facilitates communication and collaboration among early learning educators, providers and community partners to ensure equitable access to high-quality programs and services for Sacramento County's youngest learners.

SACRAMENTO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

- The Foster and Homeless Youth Services Department provides additional supports and agency referrals to homeless youth and education and transition support along with credit recovery for foster youth at the Sacramento Youth Detention Facility and Community School sites. The department provides training and support to district Homeless and Foster Youth liaisons and agency partners. Finally, the Department maintains the Foster Focus database that is utilized by over 400 partners, made up of school districts, county offices of education, Sacramento Child Protective Services (CPS) and the Sacramento County Probation Department. Data is sourced from approximately 3,700 schools in 50 California counties as well as the School Connect database used by CPS to assist in keeping students in their school of origin.
- The Advancement via Individual Determination (AVID) Department provides professional development, technical assistance, curricular resources, and program certification oversight to school districts throughout the capital region. AVID is a kindergarten through postsecondary college readiness system designed to increase the number of students who enroll and succeed in higher education and in their lives beyond high school. The AVID elementary program provides a foundational component for elementary schools and is designed as a sequential, academic skills resource. The AVID secondary program is designed to ensure college readiness of AVID elective students and improved academic performance of all students based on increased opportunities. The core of AVID at the secondary (high school and middle school) level is the AVID elective class, where students are enrolled and receive support to succeed in the school's most rigorous classes.
- The Prevention & Early Intervention Department provides programs, services, and professional development opportunities that address a variety of youth development and prevention education topics. Focus areas include the following: positive youth development; school, bicycle and pedestrian safety; violence, suicide and bullying prevention; substance abuse and tobacco use prevention; and school-based mental health promotion. The Friday Night Live/Club Live programs provide weekly services to youth at approximately 60 middle schools and high schools throughout Sacramento County to build leadership skills, provide opportunities for community engagement, and prevent alcohol and drug use among teenagers. The Friday Night Live Mentoring program partners teams of older high-school aged youth with teams of middle-school youth in a structured one-on-one relationship. Project SAVE (Safe Alternatives and Violence Education) is an early intervention program designed to break the cycle of youth violence and served over 100 youth and their parents throughout Sacramento County. Prevention & Early Intervention project partners include the following: 13 Sacramento County school districts; Sacramento County Department of Behavioral Health Services; California Office of Traffic Safety; California Department of Education; California Friday Night Live Partnership; local law enforcement agencies; and various community-based organizations. The Department also facilitates several collaborative groups, including the Sacramento County Coalition for Youth, the County Prevention Coordinators Council and the Sacramento County Student Mental Health & Wellness Collaborative.

SACRAMENTO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

- The Sacramento California Student Opportunity Access Program (Cal-SOAP) Consortium is administered statewide by the California Student Aid Commission. Cal-SOAP directly serves students in 55 elementary, middle, and high schools throughout Sacramento, Colusa and Sutter counties. The program provides tutoring services to students in over 100 classrooms and delivers college and financial aid awareness workshops reaching almost 7,000 high school juniors and seniors. The program offers one-on-one college planning and financial aid assistance to approximately 1,600 high school students in 12 high schools. Sacramento Cal-SOAP serves as the regional coordinating organization for the Cash for College campaign which organizes over 50 Cash for College workshops serving over 2,000 in the Sacramento County region and training over 150 volunteers to help students complete the federal and state student financial aid applications. Finally, Sacramento Cal-SOAP administers the Capital Area Promise Scholars program. The program targets underrepresented college-bound youth. The scholarship is a renewable scholarship is open to students serves Sacramento Cal-SAOP.
- The County Office's School of Education Department is comprised of two divisions, Teaching and Leading, whose mission is to provide high quality professional learning for teachers and leaders in the capital region and beyond. The Teaching division consists of the Teacher Intern, Teacher Induction and Bilingual Teacher Professional Development programs.

The two-year Teacher Intern program provides an alternative pathway to traditional teacher preparation programs by offering an accelerated entry to teaching. Colleges, universities and approved LEA's may sponsor these programs. The County Office is a Commission on Teacher Credentialing (CTC) accredited provider for Single Subject Math and Science, Multiple Subject, and Mild/Moderate Education Specialist Intern Credential programs.

The Teacher Induction program partners with public, charter and private schools to assist participating teachers in creating successful early teaching experiences and earning a clear credential with the ultimate goal of increasing teacher retention. New teachers work with an experienced colleague to hone their skills, knowledge, and abilities related to their teaching practice. The participating teachers and mentors from local and state-wide school districts meet regularly to discuss classroom practice.

The Bilingual Teacher Professional Development program provides teachers with the opportunity to earn a bilingual authorization, enabling them to teach in a multilingual setting. The program also aims to encourage teachers currently holding a bilingual authorization to return to teaching in a multilingual setting.

The Leading division consists of the Preliminary Administrative Services Credential, Clear Administrative Services Credential, and the Principals' Academy programs. These programs are a collaboration with local school districts to prepare and support aspiring and current educational leaders. The Preliminary and Clear Administrative programs are CTC accredited and focus on filling the need for highly qualified administrators in the Capital region. The Principals' Academy extends leadership development for current school site leaders. Professional learning is geared toward building leadership capacity in all areas of site administration including school culture and climate, instructional leadership and the use of data to lead continuous cycles of improvement.

SACRAMENTO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

- The County Office's Adult Re-Entry programs support men and women re-entering the community from incarceration. With both in-custody and out-of-custody sites, programs are designed to address the causes of offending behavior and assist clients and their families in developing a successful re-entry plan while in a safe and inclusive environment. The programs address risks/needs through evidence-based programming and provide support in the areas of cognitive behavior, academics, job readiness, vocational training, substance abuse and mental health. The programs also provide specific support based on the client's needs in areas such as transitional housing, benefit screening, child support workshops, and transportation. Clients are referred to the program by their supervising agency. Adult Re-Entry case managers collaborate with the client, their family, and their supervising agent to ensure long-term success as this will have the most impact on the stability of the clients, families, and ultimately the community. The impact on public safety is demonstrated by the reduction in overall recidivism. Sites currently served are the Sacramento Community Based Coalition (SCBC), Woodland Day Reporting Center, West Sacramento Day Reporting Center and the Placer Re-Entry program, located in Auburn, Roseville and King's Beach.

The Support Services and Administration departments provide internal support to the County Office programs mentioned above and to the districts throughout Sacramento County.

CAPITAL ASSETS

The County Office accounts for the purchase value of capital assets and includes these values as part of the financial statements. In addition to purchasing equipment during the year, the County Office incurred the following construction-related costs: additional workspace upgrades at the David P. Meaney Education Center; remodel of portable units at the Missile Way sites; security upgrades at the North Area Community School site; and continuing costs of the new Gerber property. The County Office is reporting net capital assets of \$24,245,865 as of 6/30/20, represented as follows: \$45,505,843 in Land and Building components, \$6,619,483 in Equipment and \$27,879,461 in accumulated depreciation. Detailed balances by asset and depreciation expense category are provided in the supporting footnotes.

LONG-TERM DEBT

The County Office is reporting \$103,828,135 of Long-Term Debt as of 6/30/20, represented as follows: \$95,238,350 of Net Pension Liability; \$4,376,002 of Net OPEB Liability; \$2,310,000 of the 2013 Refunding Lease-Purchase; and \$1,903,783 of Compensated Absences. Detailed balances and future payment information are provided in the supporting footnotes.

COUNTY SCHOOL SERVICE FUND BUDGETARY HIGHLIGHTS

The County Office's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. As indicated earlier in this document, under "Financial Reports", the original budget is adopted by July 1 and the County Office revises its budget at First and Second Interim and one more time in the Spring in order to establish beginning balances for the following year.

SACRAMENTO COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

ECONOMIC FACTORS BEARING ON THE COUNTY OFFICE'S FUTURE

- The County Office has always taken an entrepreneurial approach in pursuing grants and contracts for our agency. We work with various entities in our region and throughout the State of California to secure funding for programs that benefit our particular population.
- At the same time, we follow a conservative budgeting approach. It is our practice to budget for and spend under a grant or contract after we receive confirmation of funding. Once funding is secured, we are prudent in our hiring and spending.
- Each funding source is self-supporting and most departments maintain adequate reserves for the future. In our general programs, we maintain a fund balance well in excess of the required minimum.
- These sound budgeting practices keep the County Office financially healthy and allow us to be prepared for the next economic downturn.

CONTACTING THE COUNTY OFFICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, and creditors with a general overview of the County Office finances and to show the County Office's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Nicolas Schweizer, Associate Superintendent Business Services, Sacramento County Office of Education.

BASIC FINANCIAL STATEMENTS

SACRAMENTO COUNTY OFFICE OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents (note 2)	\$ 74,529,308
Receivables	38,438,884
Prepaid expenses	627,870
Capital assets, net of accumulated depreciation (note 4)	<u>24,245,865</u>
Total Assets	<u>137,841,927</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources relating to OPEB (note 8)	4,636,811
Deferred outflows of resources relating to pensions (note 6)	<u>41,500,141</u>
Total Outflows of Resources	<u>46,136,952</u>
LIABILITIES	
Accounts payable and other current liabilities	18,275,224
Unearned revenue	1,659,041
Long-term liabilities (note 5):	
Due within one year	2,198,783
Due in more than one year	<u>101,629,352</u>
Total Liabilities	<u>123,762,400</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources relating to OPEB (note 8)	13,166,128
Deferred inflows of resources relating to pensions (note 6)	<u>9,345,544</u>
Total Inflows of Resources	<u>22,511,672</u>
NET POSITION	
Net investment in capital assets	21,935,865
Restricted	11,275,512
Unrestricted	<u>4,493,430</u>
Total Net Position	<u>\$ 37,704,807</u>

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

SACRAMENTO COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Program Revenues				Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 30,205,273	\$ 6,105,963	\$ 10,390,484	\$ 454,025	\$ (13,254,801)
Instruction - related services:					
Instructional supervision and administration	40,401,836	3,857,952	23,990,369	-	(12,553,515)
School site administration	2,060,509	84,229	195,861	-	(1,780,419)
Pupil Services:					
Home-to-school transportation	3,219	-	-	-	(3,219)
Food services	571,815	-	56,347	-	(515,468)
All other pupil services	14,533,954	2,858,044	8,853,056	-	(2,822,854)
General administration:					
Centralized data processing	1,418,151	-	-	-	(1,418,151)
All other general administration	15,077,959	1,063,459	2,918,543	-	(11,095,957)
Plant services	4,520,549	155,084	264,258	-	(4,101,207)
Ancillary services	138,896	-	84,428	-	(54,468)
Community services	995,768	431,630	519,361	-	(44,777)
Enterprise activities	2,721,039	-	680,528	-	(2,040,511)
Interest on long-term debt	117,775	-	-	-	(117,775)
Other outgo	27,330,226	5,502,536	18,387,701	-	(3,439,989)
Total governmental activities	\$ 140,096,969	\$ 20,058,897	\$ 66,340,936	\$ 454,025	(53,243,111)
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					16,317,090
Taxes levied for other specific purposes					243,436
Federal and state aid not restricted to specific purposes					27,512,760
Interest and investment earnings					1,410,100
Interagency revenues					5,903,351
Miscellaneous					9,013,791
Total General Revenues					60,400,528
Change in Net Position					7,157,417
Net Position - beginning, July 1, 2019					30,547,390
Net Position, June 30, 2020					\$ 37,704,807

SACRAMENTO COUNTY OFFICE OF EDUCATION

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	County School Service Fund	Special Education Pass-Through Fund	Adult Education Fund	Child Development Fund	Non-Major Governmental Funds	Totals
ASSETS						
Cash and investments (note 2)						
Cash in County Treasury	\$ 71,135,511	\$ 1,281,723	\$ 538,103	\$ 924,141	\$ 454,975	\$ 74,334,453
Cash awaiting deposit	164,855	-	-	-	-	164,855
Cash in revolving fund	30,000	-	-	-	-	30,000
Receivables	23,033,081	4,307,838	4,139,976	4,742,956	2,215,033	38,438,884
Prepaid expenditures	620,240	-	7,630	-	-	627,870
Due from other funds (note 3)	8,160,556	1,101,201	112	88,662	-	9,350,531
Total Assets	\$ 103,144,243	\$ 6,690,762	\$ 4,685,821	\$ 5,755,759	\$ 2,670,008	\$ 122,946,593
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 9,187,816	\$ 4,342,502	\$ 2,021,105	\$ 2,672,496	\$ 24,355	\$ 18,248,274
Unearned revenue	1,642,844	-	-	16,197	-	1,659,041
Due to other funds (note 3)	1,189,975	507,916	2,288,287	3,064,353	2,300,000	9,350,531
Total Liabilities	12,020,635	4,850,418	4,309,392	5,753,046	2,324,355	29,257,846
Fund balances (note 7)						
Nonspendable	650,240	-	7,630	-	-	657,870
Restricted	10,723,704	-	206,155	-	345,653	11,275,512
Assigned	41,919,604	1,840,344	162,644	2,713	-	43,925,305
Unassigned	37,830,060	-	-	-	-	37,830,060
Total Fund Balances	91,123,608	1,840,344	376,429	2,713	345,653	93,688,747
Total liabilities and fund balances	\$ 103,144,243	\$ 6,690,762	\$ 4,685,821	\$ 5,755,759	\$ 2,670,008	\$ 122,946,593

SACRAMENTO COUNTY OFFICE OF EDUCATION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITON

GOVERNMENTAL FUNDS

JUNE 30, 2020

Total fund balances - governmental funds		\$ 93,688,747
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental</p> <p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historical cost:	\$ 52,125,326	
Accumulated depreciation:	<u>(27,879,461)</u>	
Net:		24,245,865
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.</p>		
		(26,950)
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
Net pension liability	95,238,350	
Net OPEB obligation	4,376,002	
Compensated absences payable	1,903,783	
Refunding lease-purchase payable	<u>2,310,000</u>	
		<u>(103,828,135)</u>
<p>Deferred outflows and inflows of resources relating to OPEB: In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are</p>		
Deferred outflows of resources relating to OPEB		4,636,811
Deferred inflows of resources relating to OPEB		<u>(13,166,128)</u>
<p>Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported</p>		
Deferred outflows of resources relating to pensions		41,500,141
Deferred inflows of resources relating to pensions		<u>(9,345,544)</u>
Total net position, governmental activities:		<u>\$ 37,704,807</u>

SACRAMENTO COUNTY OFFICE OF EDUCATION

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

JUNE 30, 2020

	County School Service Fund	Special Education Pass-Through Fund	Adult Education Fund	Child Development Fund	All Non-Major Funds	Totals
REVENUES						
LCFF Sources	\$ 31,382,005	\$ 9,019,031	\$ -	\$ -	\$ -	\$ 40,401,036
Federal revenue	11,807,697	3,842,887	2,760,223	5,333,665	-	23,744,472
Other state revenues	22,065,070	1,254,126	12,879,624	3,842,103	483,587	40,524,510
Other local revenues	41,064,575	-	173,491	1,125,797	220,513	42,584,376
Total revenues	<u>106,319,347</u>	<u>14,116,044</u>	<u>15,813,338</u>	<u>10,301,565</u>	<u>704,100</u>	<u>147,254,394</u>
EXPENDITURES						
Certificated salaries	21,668,815	-	916,845	629,348	-	23,215,008
Classified salaries	27,515,733	-	1,378,775	1,921,090	1,250	30,816,848
Employee benefits	20,069,571	-	818,093	1,003,442	55	21,891,161
Books and supplies	1,968,228	-	37,562	395,361	-	2,401,151
Services and other operating expenditures	18,199,172	-	1,031,578	6,072,994	-	25,303,744
Capital outlay	847,817	-	-	-	452,721	1,300,538
Other outgo	992,512	14,151,748	11,810,606	375,365	-	27,330,231
Debt service						
Principal retirement	-	-	-	-	285,000	285,000
Interest	-	-	-	-	90,825	90,825
Total expenditures	<u>91,261,848</u>	<u>14,151,748</u>	<u>15,993,459</u>	<u>10,397,600</u>	<u>829,851</u>	<u>132,634,506</u>
Excess (deficiency) of revenues over expenditures	15,057,499	(35,704)	(180,121)	(96,035)	(125,751)	14,619,888
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	90,746	-	90,746
Operating transfers out	(90,746)	-	-	-	-	(90,746)
Total other financing sources (uses)	<u>(90,746)</u>	<u>-</u>	<u>-</u>	<u>90,746</u>	<u>-</u>	<u>-</u>
Net change in fund balances	14,966,753	(35,704)	(180,121)	(5,289)	(125,751)	14,619,888
Fund balances, July 1, 2019	76,156,855	1,876,048	556,550	8,002	471,404	79,068,859
Fund balances, June 30, 2020	<u>\$ 91,123,608</u>	<u>\$ 1,840,344</u>	<u>\$ 376,429</u>	<u>\$ 2,713</u>	<u>\$ 345,653</u>	<u>\$ 93,688,747</u>

SACRAMENTO COUNTY OFFICE OF EDUCATION

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

GOVERNMENTAL FUNDS

JUNE 30, 2020

Total net change in fund balances - governmental funds	\$ 14,619,888
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:	
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:	
Expenditures for capital outlay:	\$ 1,300,538
Depreciation expense:	<u>(1,622,948)</u>
Net:	(322,410)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:	
	285,000
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	
	(5,341)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:	
	3,325
Pensions: In government funds, pension costs are recognized when employer contributions are made, in the statement of activities pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	
	(6,595,003)
Postemployment 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 and actual employer contributions was:	
	(171,086)
Compensated absences in governmental funds are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:	
	<u>(656,956)</u>
Total change in net position - governmental activities	<u>\$ 7,157,417</u>

SACRAMENTO COUNTY OFFICE OF EDUCATION

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	<u>Agency Funds</u>
	<u>Student</u>
	<u>Body</u>
	<u>Funds</u>
ASSETS	
Cash and cash equivalents (note 2)	
Cash on hand and in banks	\$ 3,570
Total assets	<u>3,570</u>
LIABILITIES	
Due to Other Student Groups	<u>3,570</u>
Total liabilities	<u>3,570</u>
NET POSITION	
Restricted	<u>-</u>
Total net position	<u>\$ -</u>

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY OF THE ORGANIZATION

The Sacramento 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 Governing Board elected by registered voters of the County Office. Each Board member represents an "area", which comprises several local communities within Sacramento County. The County Office is situated in one of the areas and serves students in kindergarten through grade twelve and adults, as well as infants in some Special Education programs.

B. REPORTING ENTITY

The County Superintendent of Schools and County Board of Education have governance responsibilities over the activities related to public school education conducted by the County Office. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The County's Board of Education formed a non-profit public benefit corporation known as the Schools Projects Financing Corporation of Sacramento County ("Corporation"). The County Office and the Corporation have a financial and operational relationship which meet the reporting entity definition criteria of Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the Corporation as a blended component unit of the County Office. Therefore, the financial activities of the Corporation have been included in the financial statements of the County Office as a blended component unit.

The following are those aspects of the relationship between the County Office and the Corporation which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, as amended by criteria:

Manifestations of Oversight

The Corporation's Board of Directors is the County's Board of Education.

The Corporation has no employees. The County Office's Superintendent and Associate Superintendent, Business Services function as agents of the Corporation. The individuals did not receive additional compensation for work performed in this capacity.

The County Office exercises significant influence over operations of the Corporation as it is anticipated that the County Office will be the sole lessee of all facilities owned by the Corporation.

Accounting for Fiscal Matters

All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the County Office.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

B. REPORTING ENTITY (CONTINUED)

Accounting for Fiscal Matters (Continued)

Any deficits incurred by the Corporation will be reflected in the lease payments of the County Office. Any surpluses of the Corporation revert to the County Office at the end of the lease period.

It is anticipated that the County Office's lease payments will be the sole revenue source of the Corporation.

The County Office has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

Scope of Public Service and Financial Presentation

The Corporation was created for the sole purpose of financially assisting the County Office.

The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the County Office for construction and acquisition of major capital facilities. Upon completion, the County Office intends to occupy all Corporation facilities. When the Corporation's Refunding lease-purchase agreements have been paid, title to all Corporation property will pass to the County Office for no additional consideration.

The Corporation's financial activity is presented in the financial statements in the County School Service Fund. Refunding lease purchase agreements issued by the Corporation are included in the long-term liabilities.

C. ACCOUNTING POLICIES

The County Office accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's California School Accounting Manual. The accounting policies of the County Office conform to accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

D. BASIS OF PRESENTATION

Financial Statements

The basic financial statements include financial statements prepared using full accrual accounting for all of the County Office's activities, including infrastructure, and a focus on the major funds.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

D. BASIS OF PRESENTATION (CONTINUED)

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the County Office's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the County Office's general revenues.

Allocation of indirect expenses: The County Office reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included the direct expense of each function. Interest on long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the County Office and for each governmental function, and excludes fiduciary activity. 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 the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County Office. Eliminations have been made to minimize the double counting of internal activities.

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

Fund Financial Statements

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

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

D. BASIS OF PRESENTATION (CONTINUED)

Governmental Funds

All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Accrual

Government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible when the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Revenues (Exchange and Non-Exchange Transactions)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 to 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: Local Control Funding Formula, interest, certain grants, and other local sources.

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

Expenses/Expenditures

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

F. 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, revenues, and expenditures or expenses, as appropriate. The 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.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

F. FUND ACCOUNTING (CONTINUED)

Major Governmental Funds

The **County School Service Fund** is the general operating fund of the County Office and accounts for all revenues and expenditures of the County Office not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement expenditures that are not paid through other funds are paid from the County School Service Fund. For financial reporting purposes, the current year activity and year-end balances of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits Fund are combined with the County School Service Fund.

The **Special Education Pass-Through Fund** is used to account for pass-through of revenues to member Local Educational Agencies of the Special Education Local Plan Area.

The **Adult Education Fund** is used to account for revenues received and expenditures made to operate the County Office's adult education program.

The **Child Development Fund** is used to account for the proceeds of revenue sources that are legally restricted to expenditures related to early learning.

Non-major Governmental Funds

Capital Project Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This includes the Capital Facilities and County School Facilities Funds.

The **Capital Facilities Fund** is used to account for proceeds from various redevelopment projects that fund facility-related projects serving the needs of the community.

The **County School Facilities Fund** is used to account for the proceeds of revenue sources that are legally restricted to expenditures related to school site modernization.

Fiduciary Fund

Fiduciary funds are used to account for the assets for which the County Office acts as an agent. The County Office maintains one agency fund

The **Student Body Funds** account for the receipt and disbursement of monies from the student body clubs and activities of schools within the County Office.

G. BUDGETS AND BUDGETARY ACCOUNTING

By state law, the County Office must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The County Office's governing board satisfied these requirements.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

H. CASH AND CASH EQUIVALENTS

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

I. RECEIVABLES

Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and Categorical programs. The County Office has determined that no allowance for doubtful accounts was needed as of June 30, 2020.

J. PREPAID EXPENDITURES

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

K. CAPITAL ASSETS AND DEPRECIATION

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded 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 outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

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

M. INTERFUND BALANCES

Interfund activity is 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 are when one fund incurs at cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

N. COMPENSATED ABSENCES

Compensated absences benefits totaling \$1,903,783 are recorded as a liability of the County Office. The liability is for earned but unused benefits.

O. ACCUMULATED SICK LEAVE

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the County Office since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

P. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and/or governmental fund financial statements. Governmental fund payables and accrued liabilities that will be paid from current financial resources are reported as liabilities in the governmental funds balance sheet. In addition to these payables and accrued liabilities, the debt associated with compensated absences, lease-purchase agreements and other long-term obligations are reported as liabilities on the government-wide statement of net position.

Q. UNEARNED REVENUE

Revenue from federal, state and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

R. FUND BALANCE – GOVERNMENTAL FUNDS

Governmental Accounting Standards Board Codification Sections 1300 and 1800, Fund Balance Reporting and Governmental Fund Type Definitions (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable Fund Balance reflects amounts that are not in spendable form, such as revolving fund cash and prepaid expenditures.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

R. FUND BALANCE – GOVERNMENTAL FUNDS (CONTINUED)

Restricted Fund Balance reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary trust fund statements.

Committed Fund Balance classification reflects amounts subject to internal constraints self-imposed by formal action of the County Office. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the County Office is required to remove any commitment from any fund balance. At June 30, 2020, the County Office had no committed fund balances.

Assigned Fund Balance reflects amounts that the County Office has approved to be used for specific purposes, based on the County Office's intent related to those specific purposes. The County Office can designate personnel with the authority to assign fund balances. The Associate Superintendent Business Services has the authority to assign fund balances as of June 30, 2020.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

In the County School Service Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the County School Service Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the County School Service Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The County Office has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require county offices of education to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the County Office. At June 30, 2020, the County Office has not established a minimum fund balance policy nor has it established a stabilization arrangement.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

S. NET POSITION

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County Office or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The County Office first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted program activities is restricted for expenditures only in those particular programs. These amounts are not available for appropriation and expenditure at the balance sheet date. The restrictions for capital projects represent the portions of net position the County Office plans to expend in the future on capital projects. The restriction for retiree benefits represents the portion of net position the County Office has set aside for future payment of retiree benefits. It is the County Office's policy to use restricted net position first when allowable expenditures are incurred.

T. PROPERTY TAX

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Sacramento bills and collects taxes for the County Office. Tax revenues are recognized by the County Office when received.

U. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

V. 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.

W. 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the date of the financial statements and the reported amounts

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

W. USE OF ESTIMATES (CONTINUED)

of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

X. PENSIONS

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

Y. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the County Office's OPEB liability, deferred outflows of resources and deferred inflows of resources, information about the fiduciary net position of the County Office's OPEB Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

2. CASH AND CASH EQUIVALENTS

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

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	\$ 74,334,453	\$ -
Deposits:		
Revolving cash fund	30,000	-
Cash on hand and in banks	-	3,570
Cash awaiting deposit	164,855	-
	<u>\$ 74,529,308</u>	<u>\$ 3,570</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the Sacramento County Treasury. The Sacramento County Treasury pools these funds with those of other districts and agencies within the County in the interest-bearing Sacramento County Treasurer's Pooled Surplus Investment Fund. These pooled funds are recorded at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the County Office's deposits are maintained in a recognized pooled investment fund under the care of a third party and the County Office's share of the pool does not consist of specific, identifiable investment securities owned by the County Office, no disclosure of the individual deposits and investments or related custodial credit risk classification is required.

In accordance with applicable state laws, the Sacramento County Treasurer may invest in derivative securities. However, at June 30, 2020, the Sacramento County Treasurer has indicated that the Treasurer's Pooled Surplus Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk. The County Office limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. June 30, 2020, the carrying amount and the bank balance of the County Office's accounts were \$164,855, all of which was insured.

Interest Rate Risk. It is the County Office's policy to limit cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2020, the County Office had no significant interest rate risk related to cash and investments held.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk. It is the County Office’s policy to limit its investment choices in addition to the limitations of state law.

Concentration of Credit Risk. The County Office does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the County Office had no concentration of credit risk.

3. INTERFUND ACTIVITIES

Transactions between funds of the County Office are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds.

Due from/Due to Other Funds

Amounts Due from/Due to other funds, at June 30, 2020, were as follows:

Fund	Interfund Receivables	Interfund Payables
<u>Governmental Activities</u>		
<u>Major Funds:</u>		
County School Service Fund	\$ 8,160,556	\$ 1,189,975
Special Education Pass-Through Fund	1,101,201	507,916
Adult Education Fund	112	2,288,287
Child Development Fund	88,662	3,064,353
<u>Non-Major Fund:</u>		
County School Facilities Fund	-	2,300,000
Total	\$ 9,350,531	\$ 9,350,531

Interfund Transfers

Amounts transferred, for the fiscal year ended June 30, 2020, were as follows:

Transfer from the County School Service Fund to the Child Development Fund to cover expenditures due to salary and benefit costs not covered by grants.	\$ 90,746
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SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

4. CAPITAL ASSETS

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

	Balance July 1, 2019	Additions and Transfers	Deductions and Transfers	Balance June 30, 2020
Non-depreciable assets:				
Land	\$ 3,867,027	\$ -	\$ -	\$ 3,867,027
Work in-process	574,270	470,702	-	1,044,972
	<u>4,441,297</u>	<u>470,702</u>	<u>-</u>	<u>4,911,999</u>
Depreciable assets:				
Improvements on sites	1,074,034	-	-	1,074,034
Building	38,992,394	527,416	-	39,519,810
Equipment	6,531,173	302,420	214,110	6,619,483
	<u>46,597,601</u>	<u>829,836</u>	<u>214,110</u>	<u>47,213,327</u>
Totals, at cost	<u>51,038,898</u>	<u>1,300,538</u>	<u>214,110</u>	<u>52,125,326</u>
Less accumulated depreciation:				
Improvement of sites	(501,911)	(51,540)	-	(553,451)
Building	(20,557,914)	(1,293,307)	-	(21,851,221)
Equipment	(5,405,457)	(278,101)	(208,769)	(5,474,789)
Total accumulated depreciation	<u>(26,465,282)</u>	<u>(1,622,948)</u>	<u>(208,769)</u>	<u>(27,879,461)</u>
Capital assets, net	<u>\$ 24,573,616</u>	<u>\$ (322,410)</u>	<u>\$ 5,341</u>	<u>\$ 24,245,865</u>

For the fiscal year ended June 30, 2020, depreciation expense was charged to governmental activities as follows:

Instruction	\$ 364,881
Instructional supervision and administration	28,525
School administration	162,005
Other pupil services	1,421
Enterprise activities	24,907
Centralized data processing	76,515
Plant maintenance and operations	378,689
Other general administration	586,005
Total depreciation expense	<u>\$ 1,622,948</u>

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

5. LONG-TERM LIABILITIES

Refunding Lease-Purchase

On March 1, 2013, the County Office entered into a lease purchase agreement with School Projects Financing Corporation of Sacramento County for current refunding of the 1999 Refunding Certificates of Participation and 2002 Certificates of Participation, Series A. The 2013 Refunding Lease-Purchase matures through 2027 with an effective interest rate of 3.50% as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 295,000	\$ 80,850	\$ 375,850
2022	305,000	70,525	375,525
2023	320,000	59,850	379,850
2024	330,000	48,650	378,650
2025	340,000	37,100	377,100
2026-2027	<u>720,000</u>	<u>37,975</u>	<u>757,975</u>
Totals	<u>\$ 2,310,000</u>	<u>\$ 334,950</u>	<u>\$ 2,644,950</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2020 is shown below:

	Balance			Balance	Due
	July 1, 2019	Additions	Deductions	June 30, 2020	Within
					One Year
Refunding lease-purchase	\$ 2,595,000	\$ -	\$ 285,000	\$ 2,310,000	\$ 295,000
Net pension liability	90,327,207	4,911,143	-	95,238,350	-
Net OPEB liability	17,584,769	8,662,304	21,871,071	4,376,002	-
Compensated absences	1,246,827	656,956	-	1,903,783	1,903,783
	<u>\$ 111,753,803</u>	<u>\$ 14,230,403</u>	<u>\$ 22,156,071</u>	<u>\$ 103,828,135</u>	<u>\$ 2,198,783</u>

Payments on the refunding lease-purchase agreements are made from the County School Service Fund and Capital Facilities Fund. Payments on the compensated absences and other postemployment benefits are made from the fund for which the related employee worked.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description

California Public Employees' Retirement System (CalPERS)

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 Headquarters, 400 Q Street, Sacramento, California 95811.

State Teachers' Retirement System (STRS)

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

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

	CalPERS		CalSTRS	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	7%	10.25%	10.205%
Required employer contribution rates	19.721%	19.721%	17.10%	17.10%

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Contributions

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County Office is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

STRS

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2020, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for each Plan were as follows:

	CalPERS	STRS	Total
Contributions - employer	\$ 5,814,678	\$ 3,765,847	\$ 9,580,525
On behalf contributions - state	-	2,797,619	2,797,619
Total	\$ 5,814,678	\$ 6,563,466	\$ 12,378,144

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

As of June 30, 2020, the County Office's reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalPERS	\$ 58,476,824
STRS	36,761,526
Total Net Pension Liability	\$ 95,238,350

The County Office's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The County Office's proportion of the net pension liability was based on a projection of the County Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The County Office's proportionate share of the net pension liability for each Plan as of June 30, 2018 and 2019 measurement dates was as follows.

Measurement		CalPERS	STRS
Dates	Fiscal Year		
June 30, 2018	2018-19	0.20434%	0.03900%
June 30, 2019	2019-20	0.20065%	0.04070%
Change - Increase (Decrease)		-0.00369%	0.00170%

For the year ended June 30, 2020, the County Office recognized pension expense of \$6,595,003. At June 30, 2020, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS		STRS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,814,678	\$ -	\$ 6,563,466	\$ -	\$ 12,378,144	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2018-19	-	1,188,925	-	1,176,872	-	2,365,797
Changes of Assumptions	6,547,654	138,880	11,909,679	-	18,457,333	138,880
Differences between Expected and Actual Experience	5,420,186	-	237,725	2,126,011	5,657,911	2,126,011
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	985,249	737,643	2,289,220	2,163,552	3,274,469	2,901,195
Net differences between projected and actual investment earnings on pension plan investments	1,732,284	-	-	1,813,661	1,732,284	1,813,661
Total	\$ 20,500,051	\$ 2,065,448	\$ 21,000,090	\$ 7,280,096	\$ 41,500,141	\$ 9,345,544

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Total Deferred Outflows/ (Inflows) of Resources		
	June 30	CalPERS	STRS
2021	\$ 7,079,627	\$ 995,333	\$ 8,074,960
2022	3,737,897	1,397,238	5,135,135
2023	1,735,425	1,464,185	3,199,610
2024	66,976	1,906,798	1,973,774
2025	-	1,098,699	1,098,699
Thereafter	-	294,275	294,275
Total	\$ 12,619,925	\$ 7,156,528	\$ 19,776,453

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return ⁽¹⁾	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

⁽¹⁾ Net of pension plan investment expenses, including inflation

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP2016) table issued by the Society of Actuaries.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate

CalPERS

The discount rate used to measure the total pension liability for Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

CalPERS			
Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

^(a) An expected inflation of 2.00% used for this period

^(b) An expected inflation of 2.92% used for this period

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Discount Rate

STRS

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

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

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of Return ^(a)
Global Equity	47.0%	4.80%
Fixed Income	12.0%	1.30%
Real Estate	13.0%	3.60%
Private Equity	13.0%	6.30%
Risk Mitigating Strategies	9.0%	1.80%
Inflation Sensitive	4.0%	3.30%
Cash/Liquidity	2.0%	-0.40%
Total	100%	

^(a) 20-year average

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	CalPERS		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 84,290,497	\$ 58,476,824	\$ 37,062,600

	STRS		
	Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
Plan's Net Pension Liability/(Asset)	\$ 54,740,955	\$ 36,761,526	\$ 21,853,155

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS and STRS comprehensive annual financial reports.

Payable to the Pension Plan

As of June 30, 2020, the County Office had no outstanding required contributions to the pension plans.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

7. FUND BALANCES

The County Office reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

Fund Balances, by category, consisted of the following at June 30, 2020:

	County School Service Fund	Special Education Pass-Through Fund	Adult Education Fund	Child Development Fund	Non-Major Funds	Total
Nonspendable						
Revolving Cash	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 30,000
Prepaid Items	620,240	-	7,630	-	-	627,870
Subtotal Nonspendable	650,240	-	7,630	-	-	657,870
Restricted						
Medi-Cal Billing Option	83,704	-	-	-	-	83,704
Lottery: Instructional Materials	73,460	-	-	-	-	73,460
Special Education	8,371,190	-	-	-	-	8,371,190
Special Ed: Early Ed Individuals with Exceptional Needs	1,125,750	-	-	-	-	1,125,750
Special Ed: Mental Health Services	260,347	-	-	-	-	260,347
Classified School Employee Professional Development Block Grant	60,421	-	-	-	-	60,421
SB 117 COVID-19 LEA Response Funds	2,862	-	-	-	-	2,862
Ongoing & Major Maintenance Account	382,046	-	-	-	-	382,046
Adult Education Program	-	-	206,155	-	-	206,155
Other Restricted Local	363,924	-	-	-	345,653	709,577
Subtotal Restricted	10,723,704	-	206,155	-	345,653	11,275,512
Assigned						
Special Ed: Mental Health Services	-	1,840,344	-	-	-	1,840,344
Child Development Fund Reserves	-	-	-	2,713	-	2,713
Adult Education Fund Reserves	-	-	162,644	-	-	162,644
Reserve for Workers' Compensation	747,705	-	-	-	-	747,705
Other Assignments	41,171,899	-	-	-	-	41,171,899
Subtotal Assigned	41,919,604	1,840,344	162,644	2,713	-	43,925,305
Unassigned						
Reserve for Economic Uncertainties	2,065,000	-	-	-	-	2,065,000
Unassigned/Unappropriated Amount	35,765,060	-	-	-	-	35,765,060
Subtotal Unassigned	37,830,060	-	-	-	-	37,830,060
Total	\$91,123,608	\$ 1,840,344	\$ 376,429	\$ 2,713	\$ 345,653	\$93,688,747

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

8. OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. The County Office participates in California Employers' Retiree Benefit Trust (CERBT), an agent multi-employer defined benefit other postemployment benefits plan administered by the California Public Employees' Retirement System (CalPERS). Currently the plan provides for monthly health benefits to eligible retirees. Benefit provisions are established by labor agreements and may be amended by such for current active employees. Benefit provisions are approved by the Sacramento County Superintendent of Schools. Separate financial statements are prepared for the Plan and may be obtained by contacting CalPERS.

The CERBT was established by Chapter 331 of the 1988 California Statutes, and employers elect to participate in the CERBT to pre-fund health, dental, and other non-pension postemployment benefits for their retirees and survivors. The CERBT has pooled administrative and investment functions, while separate employer accounts are maintained to prefund and pay for health care or other postemployment benefits in accordance with the terms of the participating employers' plans. There are three Board approved investment strategies for employers to choose from depending on their expected levels of return and volatility. Benefit provisions are established by participating employers.

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	426
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>647</u>
	<u>1,073</u>

Contributions. For the year ended June 30, 2020, the County Office's average contribution rate was 6.85 percent of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The County Office's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the actuarial assumptions shown on the following page, applied to all periods included in the measurement, unless otherwise specified:

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate	6.90%
Inflation	2.75% per year
Salary Increases	3.25% per annum, in aggregate
Investment rate of return	6.90%, net of plan investment expenses
Healthcare cost trend rates	7.00% and grades down to 5.00% for years 2024 and thereafter
Mortality Improvement	MacLeod Watts Scale 2018 applied generationally from 2015

Demographic actuarial assumptions were based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Mortality rates used were those published by CalPERS, adjusted to back out 20 years of Scale BB to central year 2008, then projected.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	1-10 Year Expected Real Rate of Return*	11+ Year Expected Real Rate of Return*
Global Equity	59%	4.80%	5.98%
Fixed Income	25%	1.10%	2.62%
Global Real Estate (REITs)	8%	3.20%	5.00%
Treasury Inflation Protected Securities	5%	0.25%	1.46%
Commodities	3%	1.50%	2.87%
Total	<u>100%</u>		

*Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2.00%.

Discount rate. The discount rate used to measure the total OPEB liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from school districts and county offices will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 67,222,667	\$ 49,637,898	\$ 17,584,769
Changes for the year:			
Service cost	1,576,266	-	1,576,266
Interest	4,640,603	-	4,640,603
Expected investment income	-	3,434,170	(3,434,170)
Investment experience	-	(354,327)	354,327
Changes of benefit terms	2,080,458	-	2,080,458
Changes of assumptions	(774,185)	-	(774,185)
Plan experience	(14,299,079)	-	(14,299,079)
Contributions - employer	-	3,363,637	(3,363,637)
Benefit payments	(3,087,637)	(3,087,637)	-
Administrative expense	-	(10,650)	10,650
Other expenses	-	-	-
Net changes	<u>(9,863,574)</u>	<u>3,345,193</u>	<u>(13,208,767)</u>
Balances at June 30, 2020	<u>\$ 57,359,093</u>	<u>\$ 52,983,091</u>	<u>\$ 4,376,002</u>

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the County Office, as well as what the County Office's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current discount rate:

	Current		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Net OPEB liability (asset)	\$ 11,694,533	\$ 4,376,002	\$ (1,704,167)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the County Office, as well as what the County Office's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Current Trend		Current Trend
	- 1%	Current Trend	+ 1%
Net OPEB liability (asset)	\$ (2,018,135)	\$ 4,376,002	\$ 12,221,546

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

8. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2020, the County Office recognized OPEB expense of \$171,086. At June 30, 2020, the County Office reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,109,327
Changes of assumptions	2,019,464	655,627
Net difference between projected and actual earnings on OPEB plan investments	-	401,174
Deferred contributions	2,617,347	-
Total	\$ 4,636,811	\$ 13,166,128

The County Office will recognize the contributions made subsequent to the measurement date in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

Year Ended June 30	Total Deferred Outflows/(Inflows) of Resources
2021	\$ (2,085,374)
2022	(2,085,372)
2023	(1,891,777)
2024	(1,792,627)
2025	(2,068,110)
Thereafter	(1,223,404)
Total	\$ (11,146,664)

Payable to the OPEB Plan

The County Office had no outstanding contributions payable to the Plan required for the year ended June 30, 2020.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

9. JOINT VENTURES

Schools Insurance Authority

The County Office is a member of a Joint Powers Authority, Schools Insurance Authority for the operation of a common risk management and insurance program for property, liability and workers' compensation coverage. The following is a summary of financial information for Schools Insurance Authority for the year ended June 30, 2020:

Total assets	<u>\$ 196,612,352</u>
Deferred outflow of resources	<u>1,899,536</u>
Total liabilities	<u>82,789,071</u>
Deferred inflow of resources	<u>782,679</u>
Total net position	<u>\$ 114,940,138</u>
Total revenues	\$ 81,628,208
Total expenses	<u>61,057,034</u>
Change in net position	<u>\$ 20,571,174</u>
Contributions in the current year	<u>\$ 924,073</u>

The relationship between the County Office and the Joint Powers Authority is such that the joint powers authority is not a component unit of the County Office for financial reporting purposes. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. COMMITMENTS AND CONTINGENCIES

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

Also, the County Office has received federal and state funds for specific purposes that are subject to review or 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.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

11. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the County Office’s operations and financial results at this time.

The County Office’s management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2020 through November 13, 2020, the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL
COUNTY SCHOOL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
LCFF sources	\$ 30,122,280	\$ 31,382,011	\$ 31,382,005	\$ (6)
Federal revenue	7,289,494	11,807,715	11,807,697	(18)
Other state revenues	22,045,188	22,065,087	22,065,070	(17)
Other local revenues	38,309,576	41,064,618	41,064,575	(43)
Total revenues	<u>97,766,538</u>	<u>106,319,431</u>	<u>106,319,347</u>	<u>(84)</u>
EXPENDITURES				
Certificated salaries	22,236,301	21,668,872	21,668,815	57
Classified salaries	28,343,071	27,515,866	27,515,733	133
Employee benefits	20,151,916	20,070,256	20,069,571	685
Books and supplies	2,155,925	1,968,350	1,968,228	122
Services and other operating expenditures	17,798,540	18,199,307	18,199,172	135
Capital outlay	524,669	847,819	847,817	2
Other outgo	479,695	992,511	992,512	(1)
Total expenditures	<u>91,690,117</u>	<u>91,262,981</u>	<u>91,261,848</u>	<u>1,133</u>
Excess (deficiency) of revenues over expenditures	6,076,421	15,056,450	15,057,499	1,049
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(83,251)	(90,746)	(90,746)	-
Total other financing sources (uses)	<u>(83,251)</u>	<u>(90,746)</u>	<u>(90,746)</u>	<u>-</u>
Net change in fund balances	5,993,170	14,965,704	14,966,753	1,049
Fund balances, July 1, 2019	<u>76,156,855</u>	<u>76,156,855</u>	<u>76,156,855</u>	<u>-</u>
Fund balances, June 30, 2020	<u>\$ 82,150,025</u>	<u>\$ 91,122,559</u>	<u>\$ 91,123,608</u>	<u>\$ 1,049</u>

SACRAMENTO COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL
SPECIAL EDUCATION PASS-THROUGH FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
LCFF sources	\$ 17,821,441	\$ 9,019,031	\$ 9,019,031	\$ -
Federal revenue	192,798	3,842,887	3,842,887	-
Other state revenues	4,742,523	1,254,126	1,254,126	-
Total revenues	<u>22,756,762</u>	<u>14,116,044</u>	<u>14,116,044</u>	<u>-</u>
EXPENDITURES				
Other outgo	<u>22,756,762</u>	<u>14,151,748</u>	<u>14,151,748</u>	<u>-</u>
Total expenditures	<u>22,756,762</u>	<u>14,151,748</u>	<u>14,151,748</u>	<u>-</u>
Net change in fund balances	-	(35,704)	(35,704)	-
Fund balances, July 1, 2019	<u>1,876,048</u>	<u>1,876,048</u>	<u>1,876,048</u>	<u>-</u>
Fund balances, June 30, 2020	<u>\$ 1,876,048</u>	<u>\$ 1,840,344</u>	<u>\$ 1,840,344</u>	<u>\$ -</u>

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 1,576,266	\$ 1,398,706	\$ 1,354,679
Interest	4,640,603	4,465,989	4,270,665
Changes of benefit terms	2,080,458	-	-
Differences between expected and actual experience	(14,299,079)	-	-
Changes of assumptions	(774,185)	2,909,096	-
Benefit payments, including refunds of member contributions	(3,087,637)	(2,996,835)	(2,975,856)
Net change in total OPEB liability	(9,863,574)	5,776,956	2,649,488
Total OPEB liability - beginning	67,222,667	61,445,711	58,796,223
Total OPEB liability - ending (a)	\$ 57,359,093	\$ 67,222,667	\$ 61,445,711
Plan fiduciary net position			
Contributions - employer	\$ 3,363,637	\$ 15,002,835	\$ 4,175,856
Net investment income	3,079,843	3,425,503	3,188,088
Benefit payments, including refunds of member contributions	(3,087,637)	(2,996,835)	(2,975,856)
Administrative expense	(10,650)	(24,081)	(16,170)
Other expenses	-	(45,336)	-
Net change in plan fiduciary net position	3,345,193	15,362,086	4,371,918
Plan fiduciary net position - beginning	49,637,898	34,275,812	29,903,894
Plan fiduciary net position - ending (b)	\$ 52,983,091	\$ 49,637,898	\$ 34,275,812
County Office's net OPEB liability - ending (a) - (b)	\$ 4,376,002	\$ 17,584,769	\$ 27,169,899
Plan fiduciary net position as a percentage of the total OPEB liability	92.4%	73.8%	55.8%
Covered-employee payroll	\$ 49,096,813	\$ 46,957,851	\$ 45,780,098
County Office's net OPEB liability as a percentage of covered-employee payroll	8.9%	37.4%	59.3%

SACRAMENTO COUNTY OFFICE OF EDUCATION

SCHEDULE OF OPEB CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,716,904	\$ 2,712,051	\$ 2,699,773
Contributions in relation to the actuarially determined contribution	\$ (2,617,347)	\$ (3,363,637)	(15,002,835)
Contribution deficiency (excess)	<u>\$ (900,443)</u>	<u>\$ (651,586)</u>	<u>\$ (12,303,062)</u>
Covered-employee payroll	\$ 51,105,313	\$ 49,096,813	\$ 46,957,851
Contributions as a percentage of covered-employee payroll	5.12%	6.85%	31.95%

SACRAMENTO COUNTY OFFICE OF EDUCATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CalPERS	June 30, 2014⁽¹⁾	June 30, 2015⁽¹⁾	June 30, 2016⁽¹⁾	June 30, 2017⁽¹⁾	June 30, 2018⁽¹⁾	June 30, 2019⁽¹⁾
Proportion of the net pension liability (asset)	0.22390%	0.21131%	0.20316%	0.19764%	0.20434%	0.20065%
Proportionate share of the net pension liability (asset)	\$ 25,417,637	\$ 31,147,323	\$ 40,123,477	\$ 47,182,985	\$ 54,483,480	\$ 58,476,824
Covered payroll ⁽²⁾	\$ 22,846,564	\$ 23,243,969	\$ 20,790,870	\$ 22,537,338	\$ 23,175,556	\$ 25,453,608
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	111.25%	134.00%	192.99%	209.35%	235.09%	229.74%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 2,689,269	\$ 2,753,713	\$ 2,887,436	\$ 3,500,274	\$ 4,185,969	\$ 5,019,706
STRS	June 30, 2014⁽¹⁾	June 30, 2015⁽¹⁾	June 30, 2016⁽¹⁾	June 30, 2017⁽¹⁾	June 30, 2018⁽¹⁾	June 30, 2019⁽¹⁾
Proportion of the net pension liability (asset)	0.04510%	0.04250%	0.04234%	0.04031%	0.03900%	0.04070%
Proportionate share of the net pension liability (asset)	\$ 26,356,289	\$ 28,611,409	\$ 34,245,364	\$ 37,283,042	\$ 35,843,728	\$ 36,761,526
Covered payroll ⁽²⁾	\$ 18,663,378	\$ 16,324,427	\$ 17,998,148	\$ 18,627,235	\$ 18,401,130	\$ 20,829,117
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	141.22%	175.27%	190.27%	200.15%	194.79%	176.49%
Plan fiduciary net position as a percentage of the total pension liability (asset)	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 1,657,308	\$ 1,751,611	\$ 2,264,167	\$ 2,687,910	\$ 2,995,704	\$ 3,561,779

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Covered payroll is the payroll on which contributions to a pension plan are based.

⁽³⁾ The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

SACRAMENTO COUNTY OFFICE OF EDUCATION

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CalPERS	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾	Fiscal Year 2017-18 ⁽¹⁾	Fiscal Year 2018-19 ⁽¹⁾	Fiscal Year 2019-20 ⁽¹⁾
Contractually required contribution ⁽²⁾	\$ 2,689,269	\$ 2,753,713	\$ 2,887,436	\$ 3,500,274	\$ 4,185,969	\$ 5,019,706
Contributions in relation to the contractually required contribution ⁽²⁾	(2,754,193)	(2,883,518)	(3,498,257)	(4,187,132)	(5,018,237)	(5,814,678)
Contribution deficiency (excess)	<u>\$ (64,924)</u>	<u>\$ (129,805)</u>	<u>\$ (610,821)</u>	<u>\$ (686,858)</u>	<u>\$ (832,268)</u>	<u>\$ (794,972)</u>
Covered payroll ⁽³⁾	\$ 22,846,564	\$ 23,243,969	\$ 20,790,870	\$ 22,537,338	\$ 23,175,556	\$ 25,453,608
Contributions as a percentage of covered payroll ⁽³⁾	11.771%	11.847%	13.888%	15.531%	18.062%	19.721%
STRS	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾	Fiscal Year 2017-18 ⁽¹⁾	Fiscal Year 2018-19 ⁽¹⁾	Fiscal Year 2019-20 ⁽¹⁾
Contractually required contribution ⁽²⁾	\$ 1,657,308	\$ 1,751,611	\$ 2,264,167	\$ 2,687,910	\$ 2,995,704	\$ 3,561,779
Contributions in relation to the contractually required contribution ⁽²⁾	(1,791,944)	(2,277,301)	(2,715,275)	(3,045,402)	(3,604,582)	(3,765,847)
Contribution deficiency (excess)	<u>\$ (134,636)</u>	<u>\$ (525,690)</u>	<u>\$ (451,108)</u>	<u>\$ (357,492)</u>	<u>\$ (608,878)</u>	<u>\$ (204,068)</u>
Covered payroll ⁽³⁾	\$ 18,663,378	\$ 16,324,427	\$ 17,998,148	\$ 18,627,235	\$ 18,401,130	\$ 20,829,117
Contributions as a percentage of covered payroll ⁽³⁾	8.880%	10.730%	12.580%	14.430%	16.280%	17.100%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Employers are assumed to make contributions equal to the contractually required contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the contractually required contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

⁽³⁾ Covered payroll is the payroll on which contributions to a pension plan are based.

SACRAMENTO COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. PURPOSE OF SCHEDULES

A - Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

The County Office employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the County School Service and the Special Education Pass-Through Funds are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in the Net OPEB Liability and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since June 30, 2018 was the first year of implementation, only three years are currently available.

C - Schedule of OPEB Contributions

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year ended June 30, 2020 were from the June 30, 2019 valuation.

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percent of pay
Amortization period	5 years for the difference between projected and actual trust earnings, 6.53 years (EARSL) for the remaining deferred resources
Asset valuation method	Market value of assets
Inflation	2.75% per year
Healthcare cost trend rates	7.00% initial, grades down to 5% for years 2024 and thereafter
Salary increases	3.25% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years and to develop the amortization payment portion of the ADCs.
Investment rate of return	6.90% net of plan investment expenses
Retirement age	Minimum retirement age of 50
Mortality	MacLeod Watts Scale 2018 applied generationally

SACRAMENTO COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. PURPOSE OF SCHEDULES (CONTINUED)

D - Schedule of Proportionate Share of the Net Pension Liability

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

Changes in Assumptions

There were no changes in the assumptions used in the calculation of both the PERS and STRS collective net pension liabilities.

Changes in Benefit Terms

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

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

E - Schedule of Pension Contributions

If an employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plans (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll. In the future, as data becomes available, ten years of information will be presented.

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return ⁽¹⁾	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

⁽¹⁾ Net of pension plan investment expenses, including inflation

SUPPLEMENTARY INFORMATION

SACRAMENTO COUNTY OFFICE OF EDUCATION

COMBINING BALANCE SHEET

NON-MAJOR FUNDS

JUNE 30, 2020

	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 342,967	\$ 112,008	\$ 454,975
Accounts receivable	2,686	2,212,347	2,215,033
Total Assets	<u>\$ 345,653</u>	<u>\$ 2,324,355</u>	<u>\$ 2,670,008</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 24,355	\$ 24,355
Due to other funds	-	2,300,000	2,300,000
Total Liabilities	<u>-</u>	<u>2,324,355</u>	<u>2,324,355</u>
Fund balances			
Restricted	345,653	-	345,653
Total Fund Balances	<u>345,653</u>	<u>-</u>	<u>345,653</u>
Total Liabilities and Fund Balances	<u>\$ 345,653</u>	<u>\$ 2,324,355</u>	<u>\$ 2,670,008</u>

SACRAMENTO COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NON-MAJOR FUNDS

JUNE 30, 2020

	Capital Facilities Fund	County School Facilities Fund	Totals
REVENUES			
Other state revenues	\$ -	\$ 483,587	\$ 483,587
Other local revenues	250,074	(29,561)	220,513
Total revenues	250,074	454,026	704,100
EXPENDITURES			
Classified salaries	-	1,250	1,250
Employee benefits	-	55	55
Capital outlay	-	452,721	452,721
Debt service			
Principal retirement	285,000	-	285,000
Interest	90,825	-	90,825
Total expenditures	375,825	454,026	829,851
Net change in fund balances	(125,751)	-	(125,751)
Fund balances, July 1, 2019	471,404	-	471,404
Fund balances, June 30, 2020	\$ 345,653	\$ -	\$ 345,653

SACRAMENTO COUNTY OFFICE OF EDUCATION

ORGANIZATION

JUNE 30, 2020

The Sacramento County Office of Education (County Office) operates a variety of programs for children, youth, and families and also supports schools throughout Sacramento County with academic, business, consulting and vocational services. The County Office educates children with special needs, children who have been referred by other public agencies, and youth who are wards of the Juvenile Court. Through specific programs and grants, the County Office provides educational services to preschool children, youth and adults. As the intermediary between the California Department of Education and local school districts, the County Office represents districts on matters before the State government, and carries out responsibilities mandated by statutes and regulations.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires June</u>
Bina Lefkovitz	President	2022
Paul A. Keefer, Ed.D.	Vice President	2022
Joanne Ahola	Member	2020
O. Alfred Brown, Sr.	Member	2020
Heather Davis	Member	2020
Harold Fong	Member	2020
Karina Talamantes	Member	2022

ADMINISTRATION

David W. Gordon
County Superintendent

Nancy Herota, Ed.D.
Deputy Superintendent

Teresa Stinson
General Counsel

Tamara J. Sanchez
Associate Superintendent, Business Services

Coleen Johnson
Chief Administrator, Human Resources

Matt Perry, Ed.D., Assistant Superintendent,
Juvenile Court/Community Schools and Career Technical Education

Brent Malicote
Assistant Superintendent, Educational Services

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Second Period Report	Annual Report
Elementary:		
Juvenile Halls, Homes and Camps	7.12	8.48
Community Schools Pupils	191.33	181.74
Special Education	113.33	120.83
Total Elementary	311.78	311.05
Secondary:		
Juvenile Halls, Homes and Camps	143.83	174.64
Community Schools Pupils	336.90	377.67
Special Education	156.05	162.01
Total Secondary	636.78	714.32
Total Average Daily Attendance	948.56	1,025.37

SACRAMENTO COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Charter School ID Number	Charter Schools Chartered by the County Office	Included in the County Office's Financial Statements, or Separate Report
1313	Fortune Charter School	Separate Report

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

There were no adjustments made to any funds of the County Office.

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
Special Education Cluster			
84.027A	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	\$ 4,110,128
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	145,283
84.027A	Special Ed: IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5) (17-18)	13682	11,990
84.027A	Special Ed: IDEA Mental Health Allocation, Part B, Sec 611	15197	229,758
84.027A	Special Ed: Alternative Dispute Resolution, Part B, Sec 611	13007	6,884
84.173A	Supporting Early Education Delivery System (SEEDS)	13839	521,234
Subtotal Special Education Cluster			5,025,277
Title I Program Cluster			
84.010	ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	14329	1,636,113
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs	15438	495,270
84.010	ESEA: ESSA School Improvement (CSI) Funding for COEs	15439	559,058
84.010	ESEA (ESSA): Title I, Part D, Subpart 2, Local Delinquent Programs	14357	296,560
Subtotal NCLB: Title I Program Cluster			2,987,001
Other			
84.011	NCLB: Title I, Migrant Ed Statewide PASS Project	14853	4,512
84.287C	ESEA (ESSA): Title IV, 21st Century Community Learning Centers (CCLC) Technical Assistance	14350	483,672
84.002	Adult Education: State Leadership Projects (Section 223)	13970	2,760,223
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761/24314	547,773
84.196A	ESEA (ESSA): Education for Homeless Children and Youth	14332	241,048
84.365A	ESEA (ESSA): Title III, Technical Assistance	14967	184,664
84.366B	NCLB: Title II, Part B, CA Mathematics and Science Partnerships (CaMSP)	14512	244,161
84.367	ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	14341/15244/01785 *	992,556
84.424	ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	15396	82,037
84.424	ESEA (ESSA): Title IV, Part A, Student Support and Academic Enrichment Grant Program (SSAE)	15391	312,400
84.369	NCLB, Title VI, Flexibility and Accountability	14501	576,500
N/A	Credit Option for Professional Learning Completion	N/A	95,335
Subtotal Other			6,524,881
Total U.S. Department of Education			14,537,159

* Tested as major programs

(Continued)

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Rehabilitation</u>			
<i>Passed through California Department of Education</i>			
84.126A	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	61,144
N/A	Department of Rehabilitation: Workability II, Transitions Partnership Program	N/A	9,130
	Total U.S. Department of Rehabilitation		<u>70,274</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
	Child Nutrition Cluster		
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	55,147
	Total Cash Assistance Subtotal		<u>55,147</u>
10.555	School Lunch Program - Nonmonetary Assistance	13391	30,111
	Total U.S. Department of Agriculture		<u>85,258</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through California Department of Education</i>			
	CCDF Program:		
93.575	Child Development: Quality Improvement Activities	14130/14092	* 5,022,516
93.575	Child Development: Federal Local Planning Councils	13946/24771	* 50,298
	Subtotal CCDF Program Cluster		<u>5,072,814</u>
	Medicaid Cluster		
93.778	Unrestricted: Medi-Cal Administrative Activities (MAA)	10060	* 1,512,163
93.778	Medi-Cal Billing Option	10013	* 125,836
	Subtotal Medicaid Cluster		<u>1,637,999</u>
	Other		
93.600	SETA - Early Head Start	10016	636,855
93.600	SETA - COVID Funds	N/A	3,271
93.959	Prevention Coalition	N/A	877,973
93.959	Friday Night Live - Club Live	N/A	335,000
93.959	Friday Night Live - Mentor	N/A	82,346
93.243	Advancing Wellness & Resilience in Education (NITT-AWARE) Program	15520	270,118
N/A	QCC Equitable Learning Opportunities	N/A	165,516
	Subtotal Other		<u>2,371,079</u>
	Total U.S. Department of Health and Human Services		<u>9,081,892</u>
	Total Federal Programs		<u>\$ 23,774,583</u>

* Tested as major programs

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Adopted Budget 2020/2021	Actuals 2019/2020	Actuals 2018/2019	Actuals 2017/2018
<u>County School Service Fund</u>				
Revenues and Other Financial Sources	\$ 100,698,112	\$ 106,319,347	\$ 105,155,774	\$ 95,514,812
Expenditures	92,946,763	91,261,848	93,749,821	99,547,695
Other Uses and Transfers Out	495,664	90,746	107,108	89,647
Total Outgo	93,442,427	91,352,594	93,856,929	99,637,342
Change in Fund Balance	7,255,685	14,966,753	11,298,845	(4,122,530)
Ending Fund Balance	\$ 98,379,293	\$ 91,123,608	\$ 76,156,855	\$ 64,858,010
Available Reserves	\$ 45,149,240	\$ 37,830,060	\$ 40,792,293	\$ 32,839,783
Reserve for Economic Uncertainties	\$ 2,132,000	\$ 2,065,000	\$ 2,011,000	\$ 1,980,000
Unassigned Fund Balance	\$ 43,017,240	\$ 35,765,060	\$ 38,781,293	\$ 30,859,783
Available Reserves as a Percentage of Total Outgo	48.3%	41.4%	43.5%	33.0%
<u>All Funds</u>				
Total Long-Term Debt	\$ 101,629,352	\$ 103,828,135	\$ 111,753,803	\$ 116,145,320
Actual Daily Attendance at Annual	886	1,025	819	812

The County School Service Fund above includes the activities and year-end balances of the Special Reserve Fund for Other Than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits. The County School Service Fund fund balance has increased \$22,143,068 over the past three years. The fiscal year 2020-21 projects an increase of \$7,255,685. For a County Office this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, and other uses. The County Office has met this requirement for the fiscal year ended June 30, 2020.

The County School Service Fund had an operating surplus in two of the past three fiscal years, and anticipates incurring an operating surplus during the 2020-21 fiscal year.

Long-term debt decreased over the past two years by \$12,317,185 due to changes to the net pension and OPEB liabilities.

Average Daily Attendance increased by 213 ADA over the past two years. A decrease of 139 ADA is anticipated for the 2020-21 fiscal year.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

1. Purpose of Schedules

A. Schedule of Average Daily Attendance

Average daily attendance (ADA) 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 Local Control Funding Formula fund payments are made to the County Office. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

This schedule is not required for County Offices of Education for the year ended June 30, 2020.

C. Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

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

This schedule provides information necessary to reconcile the Annual Financial and Budget Reports to the audited financial statements.

E. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes federal grant activity of the County Office and is presented under the modified accrual basis of accounting. The August 2020 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The County Office has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair value of federal food commodities received from the California Department of Education as a pass-through grant from the U.S. Department of Agriculture that are not reflected in the financial statements.

SACRAMENTO COUNTY OFFICE OF EDUCATION

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

F. Schedule of Expenditures of Federal Awards (Continued)

	Federal Catalog Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 23,744,472
Reconciling items		
Food Distribution - Commodities	10.555	<u>30,111</u>
Total Federal Revenues from the Schedule of Expenditures of Federal Awards		<u>\$ 23,774,583</u>

G. 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.

2. Early Retirement Incentive Program

Education Code Section 14502 requires certain disclosure in the financial statements of the County Offices which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2020, the County Office did not adopt such a program.

OTHER INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

County Superintendent of Schools and
Board of Education
Sacramento County Office of Education
Sacramento, California

Report on Compliance for Each State Program

We have audited the compliance of Sacramento County Office of Education (the "County Office") with the types of compliance requirements described in the State of California's 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on the County Office'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 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. 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 the County Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County Office's compliance with those requirements.

Local Education Agencies Other Than Charter Schools

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time for School Districts	No, see below
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive Program	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	No, see below

School Districts, County Offices of Education and Charter Schools

Description	Procedures Performed
California Clean Energy Jobs Act	Yes
After/Before Schools Education and Safety Program	
General requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	No, see below
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below

Charter Schools

Description	Procedures Performed
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform any procedures related to Kindergarten Continuation because the County Office does not report ADA for Kindergarten students.

We did not perform any procedures related to the Unduplicated Local Control Funding Formula Pupil Counts as the CALPADS snapshot reports for the sites on the rotation schedule did not have any students in the current year.

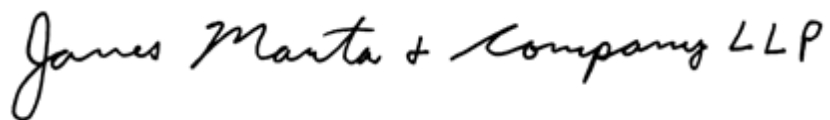
We did not perform any procedures related to Instructional Time, Classroom Teacher Salaries, K-3 Grade Span Adjustment, and Ratio of Teachers to Administrators because these compliance requirements do not apply to County Offices of Education.

We did not perform any procedures related to Continuation Education, After/Before School Education and Safety Program, Transportation Maintenance of Effort, Early Retirement Incentive Program, Independent Study-Course Based, District of Choice, and Middle or Early College High School because the County Office did not offer these programs.

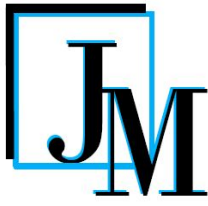
We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, Annual Instructional Minutes-Classroom-Based for Charter Schools, and Charter School Facility Grant Program because the County Office did not have any charter schools.

Opinion on Compliance with State Laws and Regulations

In our opinion, Sacramento County Office of Education complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2020.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive style and is enclosed within a thin black rectangular border.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 13, 2020



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

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

INDEPENDENT AUDITOR'S REPORT

County Superintendent of Schools and
Board of Education
Sacramento County Office of Education
Sacramento, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sacramento County Office of Education (the "County Office"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County Office's basic financial statements, and have issued our report thereon dated November 13, 2020.

Internal Control Over Financial Reporting

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

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

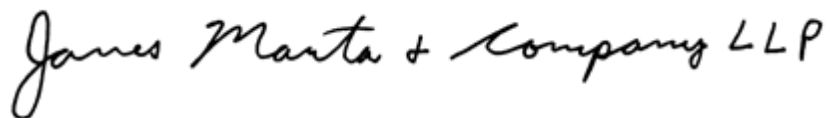
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

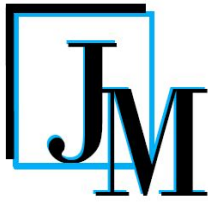
As part of obtaining reasonable assurance about whether the County Office's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style. It is contained within a thin black rectangular border.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 13, 2020



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

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

INDEPENDENT AUDITOR'S REPORT

County Superintendent of Schools and
Board of Education
Sacramento County Office of Education
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Sacramento County Office of Education's (the "County Office") compliance with the types of compliance requirements described in the August 2020 Edition of the *OMB Compliance Supplement* that could have a direct and material effect on each of the County Office's major federal programs for the year ended June 30, 2020. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County Office's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the August 2020 Edition of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Internal Control Over Compliance

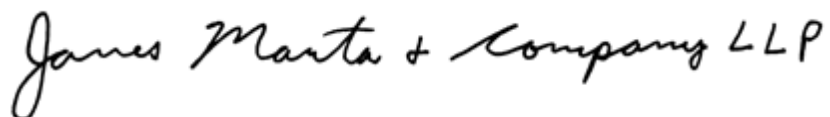
Management of the County Office is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County Office's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 13, 2020

FINDINGS AND RECOMMENDATION

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section I – Summary of Audit Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(ies) identified?	_____	Yes	_____ <u>X</u> _____	None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(ies) identified?	_____	Yes	_____ <u>X</u> _____	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.367	ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option; Medi-Cal Administrative Activities (MAA)
93.575, 93,596	Child Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

State Awards

Internal control over state programs:

Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____	No
Significant deficiency(ies) identified?	_____	Yes	_____ <u>X</u> _____	None reported

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

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings

No matters were reported.

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SACRAMENTO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section IV – State Award Findings and Questioned Costs

No matters were reported.

SACRAMENTO COUNTY OFFICE OF EDUCATION
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

No matters were reported.