

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

AUDIT REPORT

JUNE 30, 2015

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

Introductory Section

San Diego County Office of Education
 Audit Report
 For The Year Ended June 30, 2015

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Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Diego County Office of Education ("the County Office") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County Office's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego County Office of Education as of June 30, 2015, 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.

Emphasis of Matter

Change in Accounting Principles

As described in Note A to the financial statements, in 2015, San Diego County Office of Education adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Diego County Office of Education's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of San Diego County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 San Diego County Office of Education's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2015

San Diego County Office of Education
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

This discussion and analysis of the San Diego County Office of Education's financial performance provides an overall review of the County Office's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the County Office's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County Office's financial performance.

USING THESE FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014-2015 are as follows:

- Total assets are \$291,161,070, an increase of \$5,031,428 over 2013-2014.
- Total debt is \$121,292,515, a decrease of \$26,620,506 over 2013-2014.
- Total revenue is \$484,455,196, an increase of \$12,307,827 over 2013-2014.
- Total expenses are \$451,074,123, a decrease of \$8,180,277 over 2013-2014.

Reporting the County Office as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the County Office to provide programs and activities, the view of the County Office as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014-2015?" The Statement of Net Position and the Statement of Activities answer this question.

San Diego County Office of Education
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

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

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

Reporting the County Office's Most Significant Fund

Fund Financial Statements

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

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

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

San Diego County Office of Education
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

THE COUNTY OFFICE AS A COMPLETE FINANCIAL ENTITY

Recall that the Statement of Net Position provides the perspective of the County Office as a whole. Table 1 provides a summary of the County Office's net position for 2012-2013, 2013-2014, and 2014-2015.

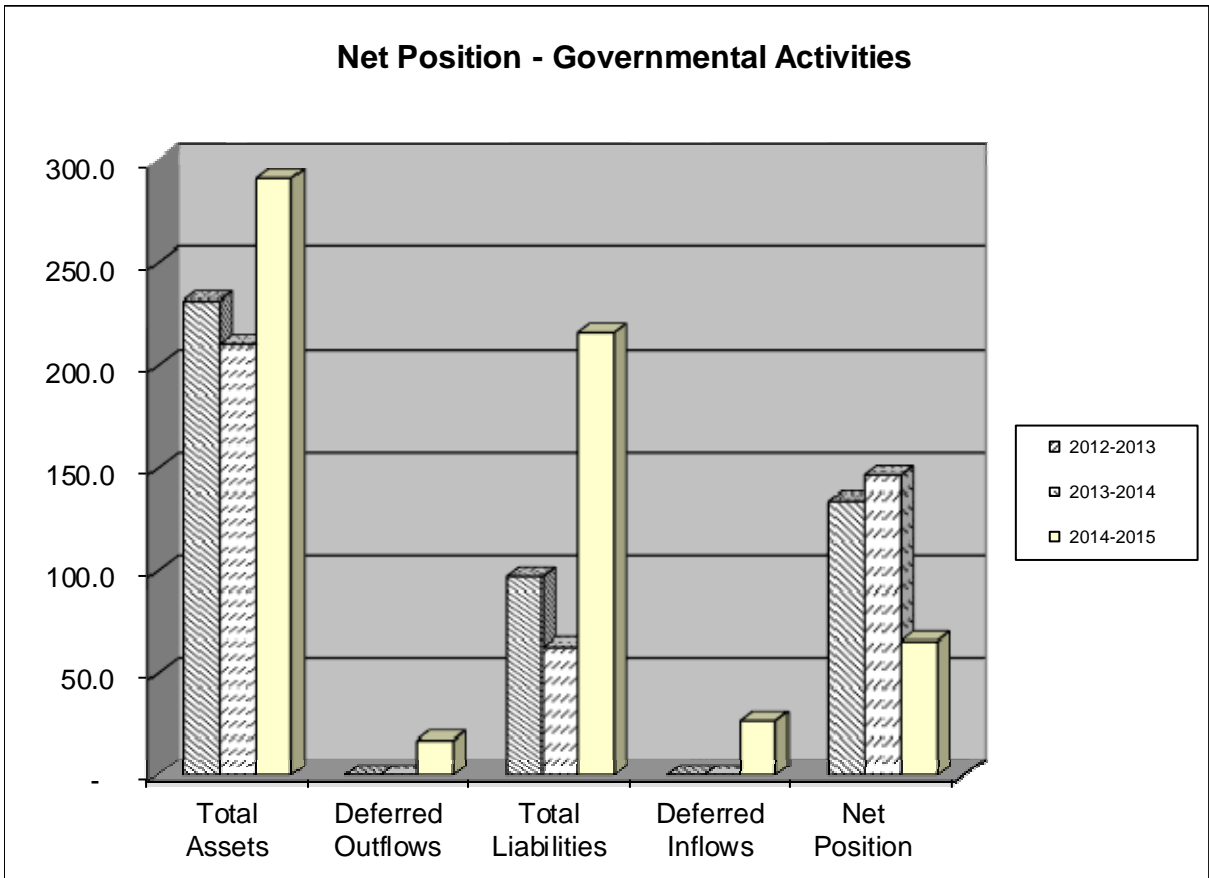
Table 1
Statement of Net Position
June 30, 2015

	2012-2013	2013-2014	2014-2015
Assets			
Cash	91,735,436	108,993,935	155,653,180
Investments	795,080	880,652	993,932
Receivables	96,127,829	48,311,032	77,683,469
Due from other funds			
Stores			
Prepaid expenses	525,945	494,582	517,074
Other current assets			
Capital assets:			
Sites	1,877,796	1,877,796	1,877,796
Site improvements	3,063,436	2,976,692	2,119,249
Buildings and Improvements	36,270,387	36,003,506	34,736,773
Equipment	23,926,443	25,828,338	40,487,270
Work in progress	7,902,648	18,121,376	-
Less accumulated depreciation	<u>(30,727,356)</u>	<u>(33,525,722)</u>	<u>(22,907,673)</u>
Total assets	<u>231,497,644</u>	<u>209,962,187</u>	<u>291,161,070</u>
Liabilities			
Accounts payable and other current liabilities	75,287,898	33,411,851	91,093,411
Accrued vacation benefits			
Current loans			
Deferred revenue	4,793,023	9,508,027	3,555,073
Long-term liabilities:			
Due within one year	2,001,941	3,224,644	3,387,328
Due in more than one year	<u>15,218,255</u>	<u>17,015,944</u>	<u>117,905,187</u>
Total liabilities	<u>97,301,117</u>	<u>63,160,466</u>	<u>215,940,999</u>
Net Position (from Sched A-1)			
Invested in capital assets, net of related debt	33,268,354	41,438,505	47,089,053
Restricted	31,406,704	40,727,655	34,047,874
Unrestricted	<u>69,521,469</u>	<u>64,635,561</u>	<u>(15,192,681)</u>
Total net assets	<u><u>134,196,527</u></u>	<u><u>146,801,721</u></u>	<u><u>65,944,246</u></u>

San Diego County Office of Education
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

	2012-2013	2013-2014	2014-2015
Total Assets	231.5	210.0	291.2
Deferred Outflows	-	-	17.8
Total Liabilities	97.3	63.2	215.9
Deferred Inflows	-	-	27.1
Net Position	134.2	146.8	66.0



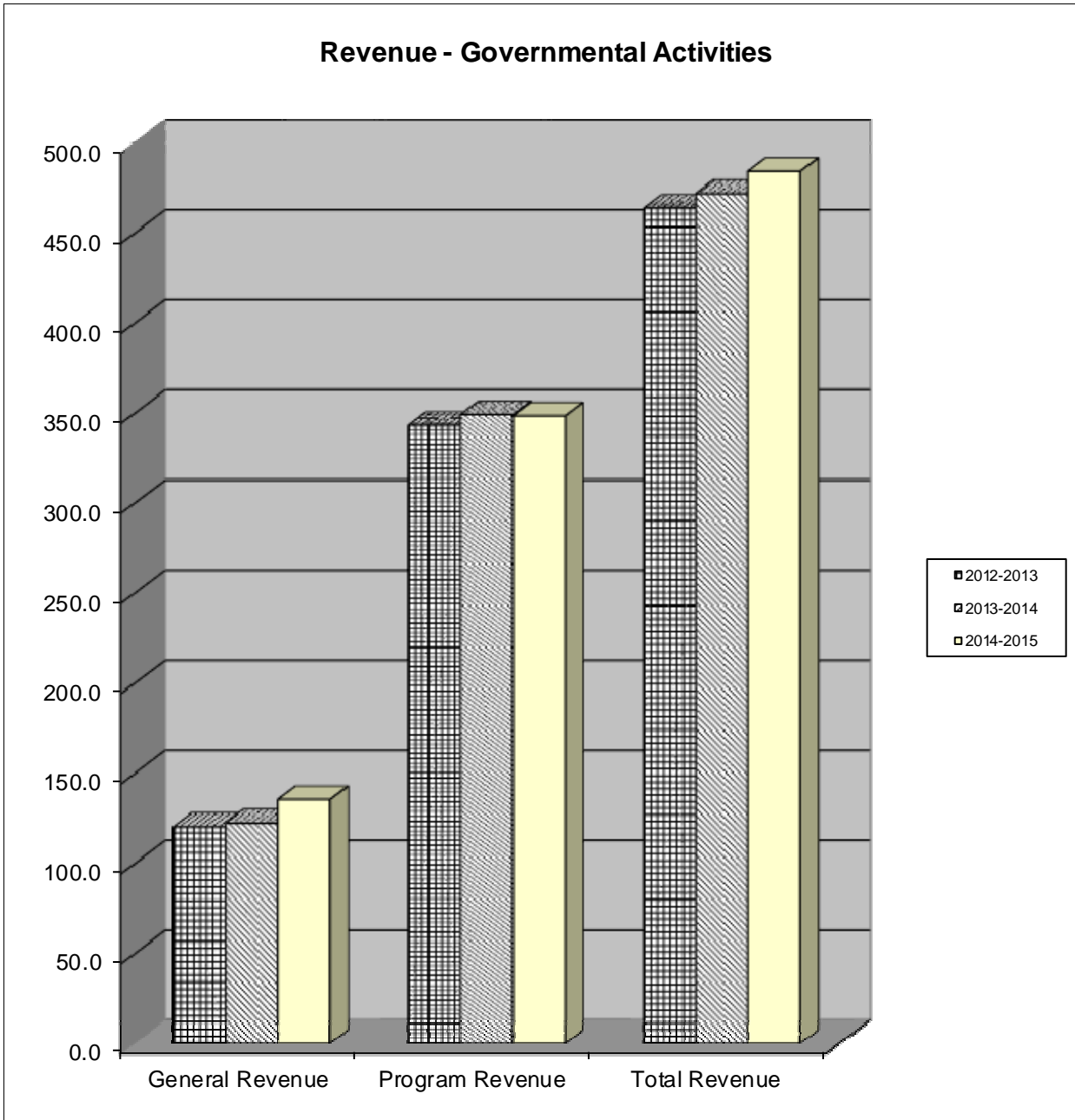
Total assets were \$291.2 million while total liabilities were \$215.9 million. Deferred outflows of resources were \$17.8 million and deferred inflows of resources were \$27.1 million as of June 30, 2015, as implemented by GASB Statement No. 68 “Accounting and Financial Reporting for Pensions.”

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

San Diego County Office of Education
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Chart 2.
Revenue - Governmental Activities
(In Millions)

	2012-2013	2013-2014	2014-2015
General Revenue	120.6	122.7	135.7
Program Revenue	<u>343.3</u>	<u>349.4</u>	<u>348.7</u>
Total Revenue	463.9	472.1	484.4



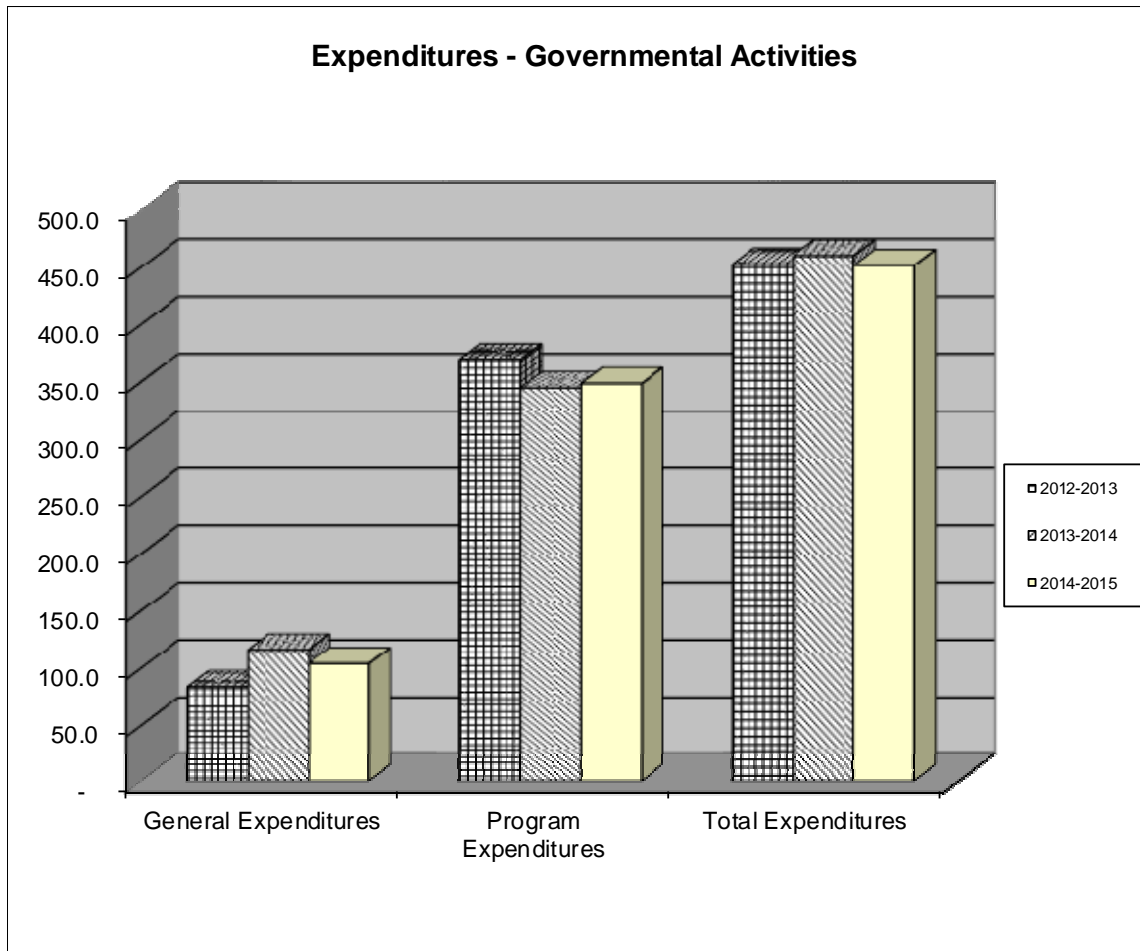
San Diego County Office of Education
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015
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The primary sources of general revenue are the Local Control Funding Formula (LCFF) and local revenue. The main source of program revenue is the State of California which funds many programs operated by the County Office.

Expenditures in the Governmental Funds are similarly divided into general or unrestricted expenses and program expenses.

Chart 3.
 Expenditures - Governmental Activities
(In Millions)

	2012-2013	2013-2014	2014-2015
General Expenditures	83.1	115.3	103.2
Program Expenditures	368.9	344.0	347.8
Total Expenditures	452.0	459.3	451.0



San Diego County Office of Education
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015
 Unaudited

The general expenditures cover the cost of operating the County Office and operating many of the programs that assist school districts with curriculum, assessment, technology, staff development, and business support services. The general expenditures decreased by \$12.1 million while the program expenditures increased by \$3.8 million. With the implementation of Local Control Funding Formula (LCFF) as of July 1, 2013, the accounting for some program expenditures are now classified as general expenditures. This accounting change has resulted in a sufficient shift between general and program expenditures from previous years

THE COUNTY OFFICE'S FUNDS

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

During the course of the 2014-2015 fiscal year, the County Office revised its general fund budget on occasion to better serve our client populations. None of the revisions were significant in terms of the overall budget. The County Office uses a fairly centralized budgeting process which affords control of the budget while allowing flexibility at the program level.

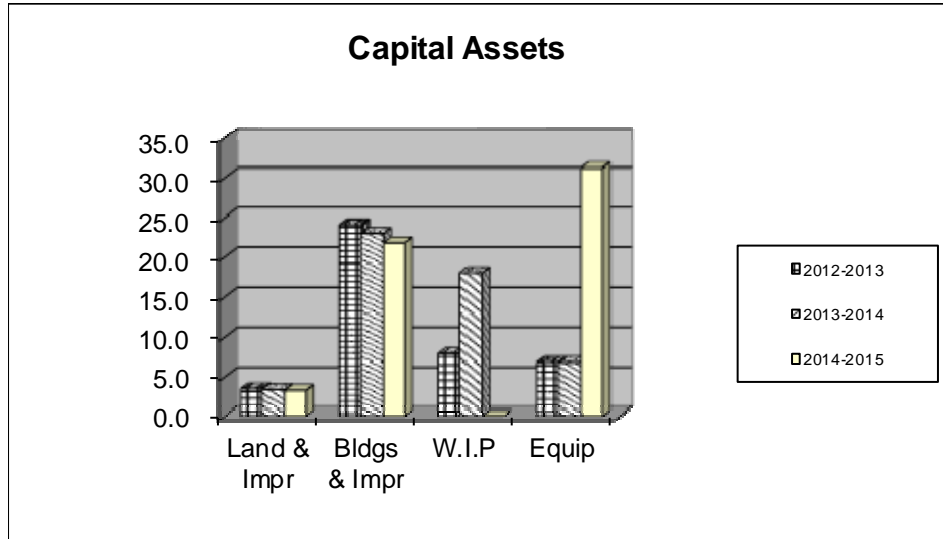
CAPITAL ASSETS

At the end of the 2014-2015 fiscal year, the County Office had \$79.2 million invested in land, buildings, and capital equipment. Depreciation totaling \$22.9 million was charged against the value of those assets for net capital assets of \$56.3 million. Table 4 shows the breakdown of capital assets.

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

	2012-2013	2013-2014	2014-2015
Land & Improvements	3.5	3.4	3.3
Buildings & Improvements	24.1	23.0	21.8
Work In Progress	7.9	18.1	0.0
Equipment	<u>6.8</u>	<u>6.8</u>	<u>31.2</u>
Total	42.3	51.3	56.3

San Diego County Office of Education
 Management's Discussion and Analysis
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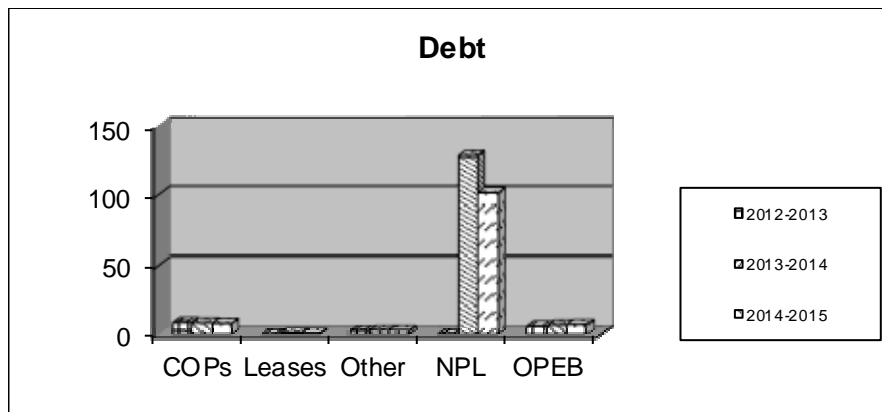


DEBT

At June 30, 2015 the County Office had \$8.5 million in certificates of participation, with \$0.3 million due within one year, capital leases of \$.7 million, other general debt and compensated absences of \$3.1 million, other post-employment benefits obligation of \$7.6 million and a net pension liability of \$101.4 million, as implemented by GASB Statement No. 68 “Accounting and Financial Reporting for Pensions,” utilizing a measurement date of June 30, 2014.

Chart 5.
 Debt - Governmental Funds
 (In Millions)

	2012-2013	2013-2014	2014-2015
Certificates of Participation	9.1	8.8	8.5
Capital Leases	0.0	1.1	0.7
Other General Debt	0.4	0.5	0.2
Net Pension Liability	0.0	127.7	101.4
OPEB	6.4	7.3	7.6



San Diego County Office of Education
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

CURRENT FINANCIAL RELATED ACTIVITIES

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

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

The passage of Proposition 30, Sales and Income Tax Increase (2012) has given clarity to the 2014-15 funding level for education. However, the sales tax portion of Proposition 30 expires in 2016 and the personal income tax increase expires in 2018. The 2014-2015 State Budget enacted the Local Control Funding Formula (LCFF) for Local Education Agencies (LEAs). The LCFF is the new distribution system for funding that became effective July 1, 2013. With the enactment of the LCFF, the County Office was required to adopt a Local Control Accountability Plan (LCAP) on or before July 1, 2014, and will be required to update the plan every year thereafter. On November 14, 2014 the State Board of Education approved the final regulations for the LCAP and the LCFF spending requirements. The new regulations became effective on January 8, 2015, upon approval by the Office of Administrative Law (OAL).

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

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

San Diego County Office of Education
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

CONTACTING THE COUNTY OFFICE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

SAN DIEGO COUNTY OFFICE OF EDUCATION
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash	\$ 155,653,180
Receivables	77,683,469
Prepaid Expenses	517,074
Investment in JPA	993,932
Capital Assets:	
Land	1,877,796
Land Improvements	2,119,249
Buildings	34,736,773
Equipment	40,487,270
Work in Progress	-
Less Accumulated Depreciation	(22,907,673)
Total Assets	<u>291,161,070</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>17,795,879</u>
LIABILITIES	
Accounts Payable	91,093,411
Unearned Revenue	3,555,073
Long-Term Liabilities:	
Due Within One Year	3,387,328
Due in More Than One Year	117,905,187
Total Liabilities	<u>215,940,999</u>
DEFERRED INFLOWS OF RESOURCES	<u>27,071,704</u>
NET POSITION	
Net Investment in Capital Assets	47,089,053
Restricted for:	
Capital Projects	15,344,062
Debt Service	-
Educational Programs	17,832,610
Other Purposes (Expendable)	351,728
Other Purposes (Nonexpendable)	519,474
Unrestricted	(15,192,681)
Total Net Position	<u>\$ 65,944,246</u>

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 46,074,765	\$ 1,102,116	\$ 26,833,013	\$ 125	\$ (18,139,511)
Instruction-Related Services:					
Instructional Supervision and Administration	93,131,901	18,310,264	58,726,953	-	(16,094,684)
Instructional Library, Media and Technology	2,617,388	368,866	353,503	-	(1,895,019)
School Site Administration	4,007,900	-	65,856	-	(3,942,044)
Pupil Services:					
Food Services	1,485,177	2,086	566,549	-	(916,542)
All Other Pupil Services	4,931,636	205,560	3,927,065	-	(799,011)
General Administration:					
Centralized Data Processing	13,654,264	-	18,476	-	(13,635,788)
All Other General Administration	17,058,563	995,095	3,210,085	-	(12,853,383)
Plant Services	9,830,259	105,284	782,258	-	(8,942,717)
Ancillary Services	44,738	40,137	2,737	-	(1,864)
Community Services	17,046	46	3	-	(16,997)
Enterprise Activities	(668,630)	18,615	1,270	-	688,515
Interest on Long-Term Debt	405,573	-	-	-	(405,573)
Special Education Transfers Between Agencies	256,682,490	7,962,194	225,147,550	-	(23,572,746)
Depreciation (Unallocated)*	1,801,163	-	-	-	(1,801,163)
Total Expenses	\$ 451,074,233	\$ 29,110,263	\$ 319,635,318	\$ 125	\$ (102,328,527)

General Revenues:

Taxes and Subventions:	
Taxes Levied for General Purposes	67,649,803
Taxes Levied for Other Specific Purposes	2,418,911
Federal and State Aid Not Restricted to Specific Programs	37,838,291
Interest and Investment Earnings	598,839
Miscellaneous	27,203,646
Total General Revenues	\$ 135,709,490

Change in Net Position 33,380,963

Net Position Beginning - As Restated (See Note T) 32,563,283

Net Position Ending \$ 65,944,246

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

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 118,240,124	\$ 374,876	\$ 34,611,123	\$ 153,226,123
Cash on Hand and in Banks	569,550	-	-	569,550
Cash in Revolving Fund	2,400	-	-	2,400
Cash with a Fiscal Agent/Trustee	-	-	887,190	887,190
Accounts Receivable	25,005,949	52,569,796	106,624	77,682,369
Due from Other Funds	1,384,631	4,227,690	5,842,812	11,455,133
Prepaid Expenditures	517,074	-	-	517,074
Total Assets	<u>145,719,728</u>	<u>57,172,362</u>	<u>41,447,749</u>	<u>244,339,839</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 33,414,304	\$ 56,867,510	\$ 660,207	\$ 90,942,021
Due to Other Funds	11,303,021	304,852	878,757	12,486,630
Unearned Revenue	2,885,523	-	669,550	3,555,073
Total Liabilities	<u>47,602,848</u>	<u>57,172,362</u>	<u>2,208,514</u>	<u>106,983,724</u>
Fund Balance:				
Nonspendable Fund Balances	519,474	-	-	519,474
Restricted Fund Balances	20,305,398	-	4,133,307	24,438,705
Committed Fund Balances	-	-	7,829,199	7,829,199
Assigned Fund Balances	57,964,260	-	27,276,729	85,240,989
Unassigned Fund Balances	19,327,748	-	-	19,327,748
Total Fund Balance	<u>98,116,880</u>	<u>-</u>	<u>39,239,235</u>	<u>137,356,115</u>
Total Liabilities and Fund Balances	<u>\$ 145,719,728</u>	<u>\$ 57,172,362</u>	<u>\$ 41,447,749</u>	<u>\$ 244,339,839</u>

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances - governmental funds balance sheet \$ 137,356,115

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

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

Capital assets relating to governmental activities, at historical cost:	79,221,088	
Accumulated depreciation:	(22,907,673)	
Net:		56,313,415

Investment in JPA: In governmental funds the investment in JPA is not recorded because the investment involves an interest in capital assets less the long term debt used to finance those assets. In the government-wide statement of net position the investment is reflected. 993,932

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was: (151,389)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Capital leases payable	707,928	
Net pension liability	101,361,511	
Compensated absences payable	2,914,256	
Retirement incentive	187,500	
Certificates of participation payable	8,516,434	
Total:		(113,687,629)

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

Deferred outflows of resources relating to pensions		17,795,879
Deferred inflows of resources relating to pensions		(27,071,704)

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is: (5,604,373)

Net position of governmental activities - statement of net position \$ 65,944,246

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 34,697,866	\$ -	\$ -	\$ 34,697,866
Education Protection Account Funds	482,600	-	-	482,600
Local Sources	67,650,183	-	-	67,650,183
Federal Revenue	23,203,108	66,722,861	314,622	90,240,591
Other State Revenue	52,216,142	168,898,094	4,378,084	225,492,320
Other Local Revenue	70,302,670	-	2,988,964	73,291,634
Total Revenues	<u>248,552,569</u>	<u>235,620,955</u>	<u>7,681,670</u>	<u>491,855,194</u>
Expenditures:				
Instruction	47,391,789	-	-	47,391,789
Instruction - Related Services	96,736,343	-	4,285,463	101,021,806
Pupil Services	6,600,997	-	-	6,600,997
Ancillary Services	44,738	-	-	44,738
Community Services	17,237	-	-	17,237
Enterprise	20,748	-	-	20,748
General Administration	37,906,125	-	93,261	37,999,386
Plant Services	9,401,481	-	816,066	10,217,547
Other Outgo	20,769,785	235,620,955	291,749	256,682,489
Debt Service:				
Principal	343,547	-	422,500	766,047
Interest	21,114	-	402,563	423,677
Total Expenditures	<u>219,253,904</u>	<u>235,620,955</u>	<u>6,311,602</u>	<u>461,186,461</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29,298,665</u>	<u>-</u>	<u>1,370,068</u>	<u>30,668,733</u>
Other Financing Sources (Uses):				
Transfers In	1,095,504	-	6,674,575	7,770,079
Transfers Out	(13,994,582)	-	(1,175,497)	(15,170,079)
Total Other Financing Sources (Uses)	<u>(12,899,078)</u>	<u>-</u>	<u>5,499,078</u>	<u>(7,400,000)</u>
Net Change in Fund Balance	16,399,587	-	6,869,146	23,268,733
Fund Balance, July 1	81,717,293	-	32,370,089	114,087,382
Fund Balance, June 30	<u>\$ 98,116,880</u>	<u>\$ -</u>	<u>\$ 39,239,235</u>	<u>\$ 137,356,115</u>

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$ 23,268,733

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:

	10,070,642	
Expenditures for capital outlay:	(3,628,209)	
Depreciation expense:	<u> </u>	
Net:		6,442,433

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:

618,547

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:

(1,467,760)

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:

17,533

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

(267,112)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as Other Financing Sources or Uses in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:

572

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

3,657,858

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

307,500

Change in value of investment in JPA: Investment in JPA is not accounted for in the governmental funds. Since the Investment in JPA is made up of capital assets and long-term debt, the value is recorded in the government wide financial statements. The change in value of the investment in JPA for the current year is:

113,281

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

689,378

Change in net position of governmental activities - Statement of Activities

\$ 33,380,963

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

JUNE 30, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 967,912
Accounts Receivable	1,104
Due from Other Funds	1,031,497
Total Current Assets	<u>2,000,513</u>
Total Assets	<u>2,000,513</u>
LIABILITIES:	
Noncurrent Liabilities:	
Other Postemployment Benefits	<u>7,604,886</u>
Total Noncurrent Liabilities	<u>7,604,886</u>
Total Liabilities	<u>7,604,886</u>
NET POSITION:	
Unrestricted (Deficit)	(5,604,373)
Total Net Position	<u>\$ (5,604,373)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 1,842,432
Total Revenues	<u>1,842,432</u>
Operating Expenses:	
Employee Benefits	<u>8,553,055</u>
Total Expenses	<u>8,553,055</u>
Income (Loss) before Contributions and Transfers	(6,710,623)
Interfund Transfers In	<u>7,400,000</u>
Change in Net Position	<u>689,377</u>
Total Net Position - Beginning	(6,293,750)
Total Net Position - Ending	<u>\$ (5,604,373)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
	<u> </u>
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 9,164,345
Cash Payments to Other Suppliers for Goods and Services	(8,203,132)
Net Cash Provided (Used) by Operating Activities	<u>961,213</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	6,699
Net Cash Provided (Used) for Investing Activities	<u>6,699</u>
Net Increase (Decrease) in Cash and Cash Equivalents	967,912
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<u>\$ 967,912</u>
Reconciliation of Operating & Investment Income to Net Cash Provided by Operating & Investing Activities:	
Operating Income (Loss)	\$ 689,377
Adjustments to Reconcile Operating & Investment Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(1,104)
Decrease (Increase) in Due From Other Funds	(70,284)
Increase (Decrease) in Net OPEB Liability	349,923
Total Adjustments	<u>278,535</u>
Net Cash Provided (Used) by Operating & Investment Activities	<u>\$ 967,912</u>

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015

	Private-purpose Trust Funds	Agency Funds
ASSETS:		
Cash in County Treasury	\$ 123,772,032	\$ 32,204,906
Cash on Hand and in Banks	750,000	7,165
Cash with a Fiscal Agent/Trustee	3,400,576	-
Accounts Receivable	2,797,104	370,180
Due from Other Funds	6,343	2,765,941
Prepaid Expenditures/Expenses	1,021	-
Total Assets	<u>130,727,076</u>	<u>35,348,192</u>
LIABILITIES:		
Accounts Payable	2,109,568	-
Due to Other Funds	6,343	2,765,941
Due to Student Groups/Other Organizations	-	32,582,251
Current Loans	59,863,658	-
Unearned Revenue	1,611,228	-
Total Liabilities	<u>63,590,797</u>	<u>35,348,192</u>
NET POSITION:		
Held in Trust	67,136,279	-
Total Net Position	<u>\$ 67,136,279</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust Funds
Additions:	
Investment Income	\$ 471,934
Participant Fees	103,033,685
Transfers In	244,313
Commissions and Refunds	1,104,331
Total Additions	<u>104,854,263</u>
Deductions:	
Claims Paid, Net of Recoveries	60,741,131
Insurance Premiums	23,469,901
Transfers Out	244,313
Administrative Expenses	6,104,157
Construction Projects	9,443,475
Other Expenses	4,292,404
Total Deductions	<u>104,295,381</u>
Change in Net Position	558,882
Net Position-Beginning of the Year	66,577,397
Net Position-End of the Year	<u>\$ 67,136,279</u>

The accompanying notes are an integral part of this statement.

SAN DIEGO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The County Office's combined financial statements include the accounts of all its operations. The County Office evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County Office's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County Office holds the corporate powers of the organization
- the County Office appoints a voting majority of the organization's board
- the County Office is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County Office
- there is fiscal dependency by the organization on the County Office

The County Office also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County Office to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County Office, its component units or its constituents; and 2) The County Office or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County Office.

Based on these criteria, the County Office has no component units. Additionally, the County Office is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the County Office's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

SAN DIEGO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County Office reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The County Office has chosen to apply future FASB standards.

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories are immaterial and have been omitted from these statements.

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

c. Capital Assets

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

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

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

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the County Office. The liability is accrued through GASB Statement 34 conversion entries and are shown as a portion of long-term debt on the government-wide statement of net position.

Some classified and management employees are entitled to be paid for a portion of their earned sick leave. For those employees unpaid sick leave benefits are recorded as a liability of the county office. For the remaining employees accumulated sick leave benefits are not recognized as liabilities of the County Office. The County Office's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Unearned Revenue

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

f. Interfund Activity

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

g. Property Taxes

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

7. Deferred Inflows and Deferred Outflows of Resources

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

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

9. Pensions

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

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

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

10. Use of Estimates

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

11. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The County Office has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the County Office is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the County Office's government-wide net position.

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

In November, 2013 the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". This Statement amends Paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The County Office has implemented the provisions of this Statement for the year ended June 30, 2015.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Self Insurance Fund	\$ 5,604,373	The deficit in Self-Insurance Fund ending fund balance can be attributed to the increase in Net OPEB Obligation as a result of only partial funding of the annual required contribution.

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$310,170,973 as of June 30, 2015). The fair value of the County Office's portion of this pool as of that date, as provided by the pool sponsor, was \$310,170,973. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

Cash balances on hand and in banks (\$1,326,715 as of June 30, 2015) and in the revolving fund (\$2,400) are insured up to \$250,000 by the Federal Depository Insurance Corporation.

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

3. Investments:

The County Office's investments at June 30, 2015 are shown below.

Investment or Investment Type	Maturity	Fair Value
Business Certificate (Cash in Bank)	08/15/2015	\$ 171,007
Business Certificate (Cash in Bank)	08/15/2017	183,402
Business Certificate (Cash in Bank)	08/27/2015	153,389
Investment Contracts (Cash with Fiscal Agent)	1/29/2035	649,499
Money Market (Cash with Fiscal Agent)	<30 Days	237,690
Union Bank Institutional Trust Fund (Cash with Fiscal Agent)	<30 Days	3,400,576
Total Investments		<u>\$ 4,795,563</u>

4. General Authorizations

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

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

SAN DIEGO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

b. Custodial Credit Risk

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

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

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

As of June 30, 2015, the County Office's bank balances (including revolving cash) of \$1,952,668 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the County Office.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

SAN DIEGO COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

D. Accounts Receivable

Accounts Receivable as of June 30, 2015 consisted of the following:

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:				
Categorical Programs	\$ 4,727,216	\$ -	\$ -	\$ 4,727,216
Special Education	-	4,559,037	-	4,559,037
State Government:				
Special Education	6,272,499	48,010,759	-	54,283,258
Lottery	1,287,155	-	-	1,287,155
Other State Programs	346,625	-	74,741	421,366
Local Sources:				
Interest	118,388	-	31,883	150,271
Fees & Contracts	12,254,066	-	-	12,254,066
Totals	<u>\$ 25,005,949</u>	<u>\$ 52,569,796</u>	<u>\$ 106,624</u>	<u>\$ 77,682,369</u>
	Self Insurance Fund	Private Purpose Trusts	Agency Funds	
Local Sources:				
Interest	\$ 1,104	\$ -	\$ -	
Fees & Contracts	-	2,797,104	370,180	
Totals	<u>\$ 1,104</u>	<u>\$ 2,797,104</u>	<u>\$ 370,180</u>	

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

E. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,877,796	\$ -	\$ -	\$ 1,877,796
Work in progress	18,121,375	-	18,121,375	-
Total capital assets not being depreciated	<u>19,999,171</u>	<u>-</u>	<u>18,121,375</u>	<u>1,877,796</u>
Capital assets being depreciated:				
Buildings	36,068,371	256,221	1,587,819	34,736,773
Improvements	2,976,692	-	857,443	2,119,249
Equipment	25,828,338	27,935,796	13,276,864	40,487,270
Total capital assets being depreciated	<u>64,873,401</u>	<u>28,192,017</u>	<u>15,722,126</u>	<u>77,343,292</u>
Less accumulated depreciation for:				
Buildings	(13,060,100)	(977,075)	(1,127,579)	(12,909,596)
Improvements	(1,418,427)	(105,962)	(857,443)	(666,946)
Equipment	(19,055,303)	(2,545,172)	(12,269,344)	(9,331,131)
Total accumulated depreciation	<u>(33,533,830)</u>	<u>(3,628,209)</u>	<u>(14,254,366)</u>	<u>(22,907,673)</u>
Total capital assets being depreciated, net	<u>31,339,571</u>	<u>24,563,808</u>	<u>1,467,760</u>	<u>54,435,619</u>
Governmental activities capital assets, net	<u>\$ 51,338,742</u>	<u>\$ 24,563,808</u>	<u>\$ 19,589,135</u>	<u>\$ 56,313,415</u>

Depreciation was charged to functions as follows:

Instruction	\$ 67,828
Instruction-Related Services	207,754
General Administration	1,422,588
Plant Services	128,876
Unallocated	1,801,163
	<u>\$ 3,628,209</u>

F. Deferred Outflows of Resources

In accordance with GASB Statement No. 71, amounts contributed to pensions after the measurement date are recorded as Deferred Outflows of Resources. For the year ended June 30, 2015 the amounts recorded as Deferred Outflows of Resources related to pensions was \$17,795,879.

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund (01)	Special Education Fund (10)	\$ 304,852	Transfer of Apportionment
General Fund (01)	Child Development Fund (12)	13,831	OPEB
General Fund (01)	Child Development Fund (12)	61,367	Indirect Costs
General Fund (01)	Child Development Fund (12)	178,249	Reimburse Expenses
General Fund (01)	Deferred Maintenance (14)	30	OPEB
General Fund (01)	Deferred Maintenance (14)	144	Sales Tax
General Fund (01)	Special Reserve Fund (40)	624,756	Mandated Cost Allocation
General Fund (01)	Special Reserve Fund (40)	380	Sales Tax
Special Education Fund (10)	General Fund (01)	401,704	Special Ed Property Taxes
Special Education Fund (10)	General Fund (01)	3,825,986	Transfer of Apportionment
Child Development Fund (12)	General Fund (01)	294	Indirect Costs
Child Development Fun (12)	General Fund (01)	7,812	Indirect Costs
Deferred Maintenance (14)	General Fund (01)	1,225,000	Transfer of Funds
General Fund (20)	General Fund (01)	1,022	Post Employment Benefits
General Fund (20)	General Fund (01)	200,000	Transfer of Funds
Building Fund (21)	General Fund (01)	10,872	Rent
Special Reserve Fund (40)	General Fund (01)	598,834	Reimburse Expenses
Special Reserve Fund (40)	General Fund (01)	4,000,000	Transfer of Funds
Self Insurance Fund (67)	General Fund (01)	1,031,497	OPEB
	Total	<u>\$ 12,486,630</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2015, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund (01)	Special Reserve Fund (40)	\$ 598,834	Capital Projects
General Fund (01)	Building Fund (21)	550,000	Debt Service
General Fund (01)	Capital Outlay Fund (25)	4,000,000	Capital Projects
General Fund (01)	General Fund (20)	200,000	Transfer of Funds
General Fund (01)	Deferred Maintenance Fund (14)	1,225,000	Deferred Maintenance
General Fund (20)	General Fund (01)	20,748	Post Employment Benefits
General Fund (20)	Self Insurance Fund (67)	7,400,000	OPEB
Capital Facilities Fund (25)	Building Fund (21)	300,741	Debt Service
Capital Facilities Fund (25)	General Fund (01)	250,000	Redevelopment transfer
Special Reserve Fund (40)	General Fund (01)	624,756	JCCS Mandated Costs
	Total	<u>\$ 15,170,079</u>	

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

H. Accounts Payable

Accounts Payable as of June 30, 2015 consisted of the following:

	General Fund	Special Education Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 31,883,090	\$ -	\$ 649,730	\$ 32,532,820
Payroll and related benefits	761,910	-	306	762,216
Pension related liabilities	769,304	-	10,171	779,475
Pass through liabilities	-	56,867,510	-	56,867,510
Totals	<u>\$ 33,414,304</u>	<u>\$ 56,867,510</u>	<u>\$ 660,207</u>	<u>\$ 90,942,021</u>
	Private Purpose Trusts			
Vendor payables	\$ 2,109,568			
Totals	<u>\$ 2,109,568</u>			

I. Unearned Revenue

Unearned Revenue as of June 30, 2015 consisted of the following:

	General Fund	Special Education Funds	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:				
Federal programs	\$ 622,027	\$ -	\$ -	\$ 622,027
State Government:				
State programs	218,622	-	669,550	888,172
Local Sources:				
Fees and Contracts	2,044,874	-	-	2,044,874
Totals	<u>\$ 2,885,523</u>	<u>\$ -</u>	<u>\$ 669,550</u>	<u>\$ 3,555,073</u>
	Private Purpose Trusts			
Federal Government:				
Federal programs	\$ -			
State Government:				
State programs	-			
Local Sources:				
Fees and Contracts	1,611,228			
Totals	<u>\$ 1,611,228</u>			

J. Short-Term Debt Activity

The County Office accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

K. Components of Ending Fund Balance

As of June 30, 2015 ending fund balance in governmental funds consisted of the following:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Education Fund		
Nonspendable Fund Balances				
Revolving Cash	\$ 2,400	\$ -	\$ -	\$ 2,400
Prepaid Expenses	517,074	-	-	517,074
Restricted Fund Balances				
Educational Programs	17,832,609	-	-	17,832,609
Child Development Program	-	-	607	607
Medi-Cal	351,121	-	-	351,121
Capital Projects	2,121,668	-	4,132,700	6,254,368
Committed Fund Balances				
Deferred Maintenance	-	-	7,829,199	7,829,199
Assigned Fund Balances				
Educational Programs	57,672,033	-	-	57,672,033
Post Employment Benefits	292,227	-	-	292,227
Forrest Reserve	-	-	23,239	23,239
Capital Projects	-	-	27,253,490	27,253,490
Unassigned Fund Balances				
For Economic Uncertainty	4,516,555	-	-	4,516,555
Other Unassigned	14,811,193	-	-	14,811,193
Total Fund Balance	\$ 98,116,880	\$ -	\$ 39,239,235	\$ 137,356,115

L. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of participation	\$ 8,780,000	\$ -	\$ 275,000	\$ 8,505,000	\$ 285,000
Premium	12,006	-	572	11,434	572
Capital leases	1,051,475	-	343,547	707,928	-
Retirement incentive	495,000	-	307,500	187,500	187,500
Compensated absences *	2,647,144	267,112	-	2,914,256	2,914,256
Net pension liability	127,677,432	-	26,315,921	101,361,511	-
Net OPEB obligation	7,254,963	349,923	-	7,604,886	-
Total governmental activities	\$ 147,918,020	\$ 617,035	\$ 27,242,540	\$ 121,292,515	\$ 3,387,328

Liability	Activity Type	Fund
Compensated absences	Governmental	General

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

2. Debt Service Requirements

Debt service requirements on long-term debt net of net pension liability, net OPEB obligation, premium, and compensated absences as of June 30, 2015 are as follows:

a.

<u>Year Ending June 30,</u>	Certificates of Participation		
	Principal	Interest	Total
2016	\$ 285,000	\$ 363,336	\$ 648,336
2017	295,000	353,362	648,362
2018	305,000	342,446	647,446
2019	315,000	330,628	645,628
2020	330,000	318,028	648,028
2021-2025	1,850,000	1,376,208	3,226,208
2026-2030	2,280,000	943,188	3,223,188
2031-2035	2,845,000	388,476	3,233,476
Totals	<u>\$ 8,505,000</u>	<u>\$ 4,415,672</u>	<u>\$ 12,920,672</u>

b.

<u>Year Ending June 30,</u>	Capital Leases		
	Principal	Interest	Total
2016	\$ -	\$ -	\$ -
2017	350,445	14,216	364,661
2018	357,483	7,179	364,662
Totals	<u>\$ 707,928</u>	<u>\$ 21,395</u>	<u>\$ 729,323</u>

c.

<u>Year Ending June 30,</u>	Retirement Incentive		
	Principal	Interest	Total
2016	\$ 187,500	\$ -	\$ 187,500
Totals	<u>\$ 187,500</u>	<u>\$ -</u>	<u>\$ 187,500</u>

3. Certificates of Participation

On February 15, 2005 the San Diego County Board of Education issued Certificates of Participation of \$10,875,000 pursuant to a trust agreement between the San Diego County Board of Education and Union Bank of California (Trustee). The Certificates were issued to provide funds to finance a portion of construction cost of certain educational facilities which will be used jointly by the San Marcos Unified School District and the Board of Education, establish a trust fund for the certificates, and pay debt issuance costs. The certificates bear interest ranging from 3.00 - 5.75% payable semi-annually on February 1 and August 1 each year. The certificates fully mature on February 1, 2035.

Total certificates of deposit can be summarized as follows:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2005 COPs	02/15/2005	3.00-5.75%	02/01/2035	\$ 10,875,000
	Beginning Balance	Increases	Decreases	Ending Balance
2005 COPs	<u>\$ 8,780,000</u>	<u>\$ -</u>	<u>\$ 275,000</u>	<u>\$ 8,505,000</u>

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4. Capital Lease

During the 2013-14 fiscal year the County Office entered into a lease agreement with Unisys to finance the purchase of software. The lease calls for annual payments of \$364,661 which is inclusive of principal and accrued interest. Interest accrues at a rate of 1.95%. The total lease amount was for \$1,413,714 with the first payment being made in 2013-14. The next payment due on the lease is August 1, 2016.

5. Retirement Incentive

During the 2013-14 fiscal year the County Office offered a retirement incentive to eligible employees. The incentive calls for lump sum payments to retirement accounts for employees who took advantage of the offer varying from \$10,000 to \$50,000 based on service years. The payments are made over a three year period.

6. COPs Premium

COPs premium arises when the market rate of interest is higher than the stated interest rate on the COPs. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the COPs and then be amortized over the life of the COPs. The premium is being amortized over the life of the COPs using the straight line method.

The following COPs were issued at a premium resulting in effective interest as follows:

	<u>2005 COPs</u>
Total Interest	\$ 8,519,256
Less COPs Premium	(17,151)
Net Interest	<u>8,502,105</u>
Par Amount of COPs	\$ 10,875,000
Periods	30
Effective Interest Rate	2.61%

M. Deferred Inflows of Resources

In accordance with GASB Statement No. 68, the net difference between projected and actual earnings on plan investments is recorded as a Deferred Inflow of Resources. As of June 30, 2015 amounts recorded as Deferred Inflows of Resources related to pensions was \$27,071,704.

N. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for property provide for minimum future rental payments as of June 30, 2015 as follows:

<u>Year Ending June 30,</u>	
2016	\$ 2,370,239
2017	1,665,231
2018	348,546
Total Minimum Rentals	<u>\$ 4,384,016</u>

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

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

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

<u>Year Ending June 30,</u>	
2016	\$ 176,194
2017	177,444
2018	175,840
2019	178,719
Total Minimum Lease Payments	<u>\$ 708,197</u>

Commitments under operating (noncapitalized) lease agreements for copy machines provide for minimum future rental payments as of June 30, 2015 as follows:

<u>Year Ending June 30,</u>	
2016	\$ 46,052
2017	14,020
2018	1,552
2019	1,552
2020	1,552
Total Minimum Rentals	<u>\$ 64,728</u>

Commitments under operating (noncapitalized) lease agreements for computers provide for minimum future rental payments as of June 30, 2015 as follows:

<u>Year Ending June 30,</u>	
2016	\$ 117,924
2017	64,102
2018	2,325
2019	2,325
2020	2,325
Total Minimum Rentals	<u>\$ 189,001</u>

O. Joint Ventures (Joint Powers Agreements)

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

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

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Combined condensed unaudited financial information of the County Office's share of the JPA for the year ended June 30, 2015 is as follows:

	San Diego County Schools Risk Management			
	Workers Compensation Fund	Property & Liability Fund	Miscellaneous Property Fund	Total Combined Funds
Total Assets	\$ 4,123,904	\$ 779,080	\$ 28,827	\$ 4,931,811
Total Liabilities	1,526,164	229,417	312	1,755,893
Total Fund Balance	<u>\$ 2,597,740</u>	<u>\$ 549,663</u>	<u>\$ 28,515</u>	<u>\$ 3,175,918</u>
Total Cash Receipts	\$ 1,372,869	\$ 360,292	\$ 47,606	\$ 1,780,767
Total Cash Disbursements	721,793	186,813	38,818	947,424
Net Change in Fund Balance	<u>\$ 651,076</u>	<u>\$ 173,479</u>	<u>\$ 8,788</u>	<u>\$ 833,343</u>

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

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

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

In February 2005, the County Office issued \$10,875,000 of Certificates of Participation (COP) to provide funds to finance a portion of the construction costs of the NCREC. These COP's are recorded as long-term debt of the County Office and mature in February 2035 (See Note L).

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

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

P. Pension Plans

The County Office offers two pension plans to employees based. Eligible certificated employees participate in the California School Teachers Retirement System (CalSTRS) pooled pension plan. The County Office shares in assets and liabilities with all members of the CalSTRS plan and reflect on their financial statements the proportionate share of the net pension liability based on percentage of contributions to the CalSTRS plan in proportion to all contributions to CalSTRS. Eligible classified employees participate in the San Diego County Office of Education Miscellaneous Defined Benefit Pension Plan administered by the California Public Employees Retirement System (CalPERS). The County Office reports the net pension liability for this plan based on actuarial data provided by CalPERS specific to this plan.

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	CalSTRS	
	Before <u>Jan. 1, 2013</u>	On or After <u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required employee contribution rates (Average)	8.000%	8.000%
Required employer contribution rates	8.250%	8.250%

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	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date	2% at 55	2% at 62
Benefit Formula	5 Years	5 Years
Benefit Vesting Schedule	Monthly for Life	Monthly for Life
Benefit Payments	50-62	52-67
Retirement Age	1.1 - 2.5%	1.0 - 2.5%
Monthly benefits, as a % of eligible compensation	6.974.%	6.974.%
Required employee contribution rates (Average)	11.442%	11.442%
Required employer contribution rates		

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate is 6.800 percent of annual pay, and the employer's contribution rate is 15.250 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

d. On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the County Office. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

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e. Contributions Recognized and Pension Expense

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Contributions - Employer	\$ 1,976,784	\$ 5,640,252
Contributions - Employee (paid by employer)*	1,969,343	2,592,242
Contributions - State On Behalf Payments	1,203,617	-
Total Contributions	<u>\$ 5,149,744</u>	<u>\$ 8,232,494</u>

*Employee payments not included in pension expense, only in reduction of net pension liability.

Pension expense for the year ended June 30, 2015 for each plan were as follows:

	CalSTRS	CalPERS
Change in Net Pension Liability	\$ (11,310,093)	\$ (15,005,828)
Net difference between projected and actual earnings on plan investments	12,519,300	14,552,404
Total Employer & State Contributions	3,180,401	5,640,252
Total Pension Expense	<u>\$ 4,389,608</u>	<u>\$ 5,186,828</u>

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

As of June 30, 2015, the County Office reported net pension liabilities of each plan as follows:

	Net Pension Liability
CalSTRS - Proportionate Share	\$ 50,840,176
CalPERS	50,521,335
Total Net Pension Liability	<u>\$ 101,361,511</u>

The County Office's net pension liability for the CalSTRS Plan is measured as the proportionate share of the net pension liability. The County Office's net pension liability for the CalPERS Plan is measured based on actuarial data provided by CalPERS. The net pension liability of each of the Plans is measured as of June 30, 2014 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, 2013 rolled forward to June 30, 2014 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 plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the County Office's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The County Office's proportionate share of the net pension liability for the CalSTRS Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS
Proportion - June 30, 2013	<u>0.0870%</u>
Proportion - June 30, 2014	<u>0.0870%</u>
Change - Increase (Decrease)	<u>-</u>

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For the year ended June 30, 2015, the County Office recognized pension expense of \$9,576,436. At June 30, 2015, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 17,795,879	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	-	(27,071,704)
Total	\$ 17,795,879	\$ (27,071,704)

\$17,795,879 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, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (6,767,926)
2017	(6,767,926)
2018	(6,767,926)
2019	(6,767,926)
Total	<u>\$ (27,071,704)</u>

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS
Valuation Date	June 30, 2013		June 30, 2013
Measurement Date	June 30, 2014		June 30, 2014
Actuarial Cost Method	Entry Age - Normal		Entry Age - Normal
Actuarial Assumptions:			
Discount Rate	7.6%		7.5%
Inflation	3.0%		2.75%
Payroll Growth	3.75%		3.0%
Projected Salary Increase	0.05%-5.6% (1)		3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)		7.5% (2)
Mortality	.013%-0.435% (3)		0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Depending on age, gender, and type of job

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b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the County Office bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the County Office bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

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

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

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

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

The 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.

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

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

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

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 89,185,299	\$ 86,237,977
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 50,840,190	\$ 50,521,335
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 18,798,986	\$ 20,875,963

d. Pension Plan Fiduciary Net Position

The following tables show the changes in net pension liability recognized over the measurement period for each plan:

CalSTRS

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at June 30, 2014	\$ 206,873,820	\$ 144,723,552	\$ 62,150,268
Changes for the year:			
Service cost	4,644,060	-	4,644,060
Interest	15,505,140	-	15,505,140
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	1,976,784	(1,976,784)
Contributions - Employee	-	1,969,343	(1,969,343)
Contributions - State On Behalf	-	1,203,617	(1,203,617)
Net investment income	-	26,449,656	(26,449,656)
Other income	-	1,788	(1,788)
Benefit payments, including refunds of employee contributions	(10,470,450)	(10,470,586)	136
Administrative expenses	-	(134,115)	134,115
Other expenses	-	(7,645)	7,645
Net Changes	9,678,750	20,988,842	(11,310,092)
Balance at June 30, 2015	<u>\$ 216,552,570</u>	<u>\$ 165,712,394</u>	<u>\$ 50,840,176</u>

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CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 248,688,795	\$ 183,161,632	\$ 65,527,163
Changes for the year:			
Service cost	6,537,055	-	6,537,055
Interest	18,550,327	-	18,550,327
Differences between expected and actual experience	-	-	-
Contributions - Employer	-	5,640,252	(5,640,252)
Contributions - Employee	-	2,592,242	(2,592,242)
Net investment income	-	31,860,716	(31,860,716)
Benefit payments, including refunds of employee contributions	(9,239,275)	(9,239,275)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	<u>15,848,107</u>	<u>30,853,935</u>	<u>(15,005,828)</u>
Balance at June 30, 2015	<u>\$ 264,536,902</u>	<u>\$ 214,015,567</u>	<u>\$ 50,521,335</u>

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

Q. Postemployment Benefits Other Than Pension Benefits

Plan Description: The San Diego County Office of Education (the County Office) administers a single-employer healthcare plan (Plan). The plan currently provides medical benefits to age 65 to eligible active employees and eligible retirees. A retiree must be at least age 55 and have at least 10 years service at retirement to be eligible for retiree medical benefits. The County Office's contribution is based on the cost for single (retiree only) coverage. Some employees also receive life insurance benefits paid by the County Office. As of the valuation date (July 1, 2014), there were 1,028 active employees earning eligibility for future retiree health benefits as well as 113 retirees currently in receipt of health benefits.

Certificated (Teachers Only) Employees

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

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

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

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 YEAR ENDED JUNE 30, 2015

Classified Management & Other Employees

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

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

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

Board Members

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

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

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

Annual Required Contribution (Expense)

Under GASB 45, the County Office is required to expense for its retiree benefits using accrual accounting. The accrual expense or annual required contribution under GASB terminology is generally accrued over the working career of employees. For the County Office's 2014-15 fiscal year, the annual required contribution is \$1,713,490. This amount is comprised of the present value of benefits accruing in the fiscal year (normal cost) plus a 25-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability) at July 1, 2014. Thus, it represents a means to expense the plan's liabilities in an orderly manner. The net OPEB obligation at the end of the fiscal year will reflect any actual retiree health benefits and related payments and any GASB eligible pre-funding amounts made by the County Office during the period.

Annual Required Contribution (ARC)	\$ 1,713,490
Interest on OPEB Obligation	29,238
Adjustment to ARC	<u>(589,672)</u>
Annual OPEB Cost	1,153,056
Actual Employer Contributions	<u>(803,132)</u>
Increase in Net OPEB Obligation	349,924
Net OPEB Obligation, Beginning of Year	7,254,962
Net OPEB Obligation, End of Year	<u>\$ 7,604,886</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

The County Office's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2013, 2014 and 2015 are as follows:

Fiscal Year Ended June 30,	Net Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 1,643,000	45.57%	\$ 6,425,678
2014	1,632,742	49.21%	7,254,962
2015	1,153,056	69.65%	7,604,886

Beginning in the 2007-08 fiscal year, the County Office began to accrue the retiree health benefits in accordance with GASB Statement No. 45. The expense is generally accrued over the working career of employees. Under accrual accounting in accordance with GASB Statement No. 45, the County Office's expense for the fiscal year ended June 30, 2015 is \$1,153,056.

Funding

The County Office commenced funding through the California Employers' Retiree Benefit Trust (CERBT) in 2014 and elected the CERBT investment allocation strategy 1, which has a CERBT published median yield of 7.28% for invested funds. The County Office made an initial contribution equal to \$7,400,000 in October 2014 to offset its accumulated net OPEB obligation. Additional pre-funding may be done in future fiscal periods as determined through the budgeting process. The actuarial value of assets for the Plan as of June 30, 2014 is \$7,400,000 reflecting the contribution as a receivable. The unfunded actuarial accrued liability at June 30, 2014 is \$8,639,048. The funded ratio is 46% at June 30, 2014.

R. Contractual Labor Commitments

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

1. California Teachers Association (CTA)-representative for teachers of the County Office. The contractual agreement with the CTA expires on June 30, 2017.
2. California School Employees Association (CSEA)-representative for the office-technical and business services employees of the County Office. The contractual agreement with CSEA expires on June 30, 2015.

S. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

T. Adjustment to Beginning Net Position

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted to accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. In addition to the change in accounting policies, the district made corrections for capital assets that were discovered during the year. The combination of changes due to accounting policies and correction of errors resulted in an adjustment to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 146,801,721
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(127,677,432)
Change in Accounting Policy - Deferred Outflows Pension Related	13,382,238
Correction of Errors - Capital Assets	<u>56,756</u>
Net Position, Beginning (As Restated)	<u>\$ 32,563,283</u>

U. Subsequent Events

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

SAN DIEGO COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

GASB Statement No. 76

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

Required Supplementary Information

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

SAN DIEGO COUNTY OFFICE OF EDUCATION

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 33,806,821	\$ 34,697,866	\$ 34,697,866	\$ -
Education Protection Account Funds	-	482,600	482,600	-
Local Sources	62,910,540	67,650,180	67,650,183	3
Federal Revenue	24,205,773	28,960,573	23,203,108	(5,757,465)
Other State Revenue	54,959,415	63,610,117	52,216,142	(11,393,975)
Other Local Revenue	80,912,805	75,994,736	70,291,500	(5,703,236)
Total Revenues	<u>256,795,354</u>	<u>271,396,072</u>	<u>248,541,399</u>	<u>(22,854,673)</u>
Expenditures:				
Current:				
Certificated Salaries	44,813,583	45,384,161	41,165,950	4,218,211
Classified Salaries	37,613,762	40,958,119	38,869,628	2,088,491
Employee Benefits	31,678,819	34,155,758	31,260,599	2,895,159
Books And Supplies	6,078,224	7,752,760	5,021,800	2,730,960
Services And Other Operating Expenditures	101,721,742	146,363,122	72,242,568	74,120,554
Other Outgo	20,821,608	21,208,130	20,769,785	438,345
Direct Support/Indirect Costs	(28,759)	2,149,272	(93,261)	2,242,533
Capital Outlay	10,844,807	11,749,500	9,652,174	2,097,326
Debt Service:				
Principal	-	343,547	343,547	-
Interest	-	21,115	21,114	1
Total Expenditures	<u>253,543,786</u>	<u>310,085,484</u>	<u>219,253,904</u>	<u>90,831,580</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,251,568</u>	<u>(38,689,412)</u>	<u>29,287,495</u>	<u>67,976,907</u>
Other Financing Sources (Uses):				
Transfers In	904,836	895,505	895,504	(1)
Transfers Out	(1,775,000)	(6,573,834)	(6,573,834)	-
Total Other Financing Sources (Uses)	<u>(870,164)</u>	<u>(5,678,329)</u>	<u>(5,678,330)</u>	<u>(1)</u>
Net Change in Fund Balance	<u>2,381,404</u>	<u>(44,367,741)</u>	<u>23,609,165</u>	<u>67,976,906</u>
Fund Balance, July 1	74,215,488	74,215,488	74,215,488	-
Fund Balance, June 30	<u>\$ 76,596,892</u>	<u>\$ 29,847,747</u>	<u>\$ 97,824,653</u>	<u>\$ 67,976,906</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION

EXHIBIT B-2

SPECIAL EDUCATION PASS-THROUGH FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 61,076,876	\$ 76,794,331	\$ 66,722,861	\$ (10,071,470)
Other State Revenue	163,358,389	168,944,024	168,898,094	(45,930)
Total Revenues	<u>224,435,265</u>	<u>245,738,355</u>	<u>235,620,955</u>	<u>(10,117,400)</u>
Expenditures:				
Other Outgo	<u>224,435,265</u>	<u>245,738,355</u>	<u>235,620,955</u>	<u>10,117,400</u>
Total Expenditures	<u>224,435,265</u>	<u>245,738,355</u>	<u>235,620,955</u>	<u>10,117,400</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST EMPLOYMENT BENEFITS PLAN
 YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2006	\$ -	\$ 12,305,255	\$ 12,305,255	-	\$ 81,540,200	15.1%
7/1/2008	-	11,745,889	11,745,889	-	72,237,000	16.3%
7/1/2010	-	12,722,298	12,722,298	-	71,700,000	17.7%
7/1/2012	-	14,015,759	14,015,759	-	74,110,000	18.9%
7/1/2014	7,400,000	16,039,048	8,639,048	46.1%	76,819,000	11.2%

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0870%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 50,840,176	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 23,912,820	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 3,946,127	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(3,946,127)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 23,912,820	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

N/A - 2014-15 is the first year of implementation and as such, information is not being presented for years prior to implementation.

Notes to Schedule:

Actuarial methods and assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth (Average)	3.75%
Post-retirement Benefit Increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board.

SAN DIEGO COUNTY OFFICE OF EDUCATION

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total pension liability:										
Service cost	\$ 6,537,055	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	18,550,327	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(9,239,275)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	15,848,107	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - beginning	248,688,795	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability - ending (a)	\$ 264,536,902	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position:										
Contributions - employer	\$ 5,640,252	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions - employee	2,592,242	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	31,860,716	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(9,239,275)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	30,853,935	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	183,161,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	\$ 214,015,567	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
County Office's net pension liability - ending (a) - (b)	\$ 50,521,335	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position as a percentage of the total pension liability	80.90%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 39,048,179	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
County Office's net pension liability as a percentage of covered-employee payroll	129.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

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

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshake).

Changes of Assumptions: There were no changes in assumptions.

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 5,640,252	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the actuarially determined contribution	(5,640,252)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll	\$ 39,048,179	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	14.44%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2013-14 were from the June 30, 2011 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method and Period	Level percentage of payroll, closed (See June 30, 2011 Funding Valuation Report available on CalPERS website)
Asset valuation method	Actuarial Value of Assets (See June 30, 2011 Funding Valuation Report available on CalPERS website)
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2015

Budgetary Comparison Schedule - General Fund

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

General Fund - Fund Financial Statements Ending Fund Balance	\$ 98,116,880
Less Fund 20 Fund Balance	(292,227)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 97,824,653</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 16,399,587
Change in Fund Balance attributed to Fund 20	7,209,578
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 23,609,165</u>

Combining Statements and Budget Comparisons as Supplementary Information

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

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 8,055,840	\$ 26,555,283	\$ 34,611,123
Cash with a Fiscal Agent/Trustee	-	887,190	887,190
Accounts Receivable	82,454	24,170	106,624
Due from Other Funds	1,233,106	4,609,706	5,842,812
Total Assets	<u>9,371,400</u>	<u>32,076,349</u>	<u>41,447,749</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 595,184	\$ 65,023	\$ 660,207
Due to Other Funds	253,621	625,136	878,757
Unearned Revenue	669,550	-	669,550
Total Liabilities	<u>1,518,355</u>	<u>690,159</u>	<u>2,208,514</u>
Fund Balance:			
Restricted Fund Balances	607	4,132,700	4,133,307
Committed Fund Balances	7,829,199	-	7,829,199
Assigned Fund Balances	23,239	27,253,490	27,276,729
Total Fund Balance	<u>7,853,045</u>	<u>31,386,190</u>	<u>39,239,235</u>
Total Liabilities and Fund Balances	<u>\$ 9,371,400</u>	<u>\$ 32,076,349</u>	<u>\$ 41,447,749</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Federal Revenue	\$ 314,622	\$ -	\$ 314,622
Other State Revenue	4,378,084	-	4,378,084
Other Local Revenue	28,951	2,960,013	2,988,964
Total Revenues	<u>4,721,657</u>	<u>2,960,013</u>	<u>7,681,670</u>
Expenditures:			
Instruction - Related Services	4,285,463	-	4,285,463
General Administration	93,261	-	93,261
Plant Services	432,558	383,508	816,066
Other Outgo	291,749	-	291,749
Debt Service:			
Principal	-	422,500	422,500
Interest	-	402,563	402,563
Total Expenditures	<u>5,103,031</u>	<u>1,208,571</u>	<u>6,311,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(381,374)</u>	<u>1,751,442</u>	<u>1,370,068</u>
Other Financing Sources (Uses):			
Transfers In	1,225,000	5,449,575	6,674,575
Transfers Out	-	(1,175,497)	(1,175,497)
Total Other Financing Sources (Uses)	<u>1,225,000</u>	<u>4,274,078</u>	<u>5,499,078</u>
Net Change in Fund Balance	843,626	6,025,520	6,869,146
Fund Balance, July 1	7,009,419	25,360,670	32,370,089
Fund Balance, June 30	<u>\$ 7,853,045</u>	<u>\$ 31,386,190</u>	<u>\$ 39,239,235</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2015

	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	\$ 1,422,671	\$ 6,610,081	\$ 23,088	\$ 8,055,840
Accounts Receivable	75,791	6,512	151	82,454
Due from Other Funds	8,106	1,225,000	-	1,233,106
Total Assets	<u>1,506,568</u>	<u>7,841,593</u>	<u>23,239</u>	<u>9,371,400</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 582,964	\$ 12,220	\$ -	\$ 595,184
Due to Other Funds	253,447	174	-	253,621
Unearned Revenue	669,550	-	-	669,550
Total Liabilities	<u>1,505,961</u>	<u>12,394</u>	<u>-</u>	<u>1,518,355</u>
Fund Balance:				
Restricted Fund Balances	607	-	-	607
Committed Fund Balances	-	7,829,199	-	7,829,199
Assigned Fund Balances	-	-	23,239	23,239
Total Fund Balance	<u>607</u>	<u>7,829,199</u>	<u>23,239</u>	<u>7,853,045</u>
Total Liabilities and Fund Balances	<u>\$ 1,506,568</u>	<u>\$ 7,841,593</u>	<u>\$ 23,239</u>	<u>\$ 9,371,400</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ -	\$ -	\$ 314,622	\$ 314,622
Other State Revenue	4,378,084	-	-	4,378,084
Other Local Revenue	1,193	27,486	272	28,951
Total Revenues	<u>4,379,277</u>	<u>27,486</u>	<u>314,894</u>	<u>4,721,657</u>
Expenditures:				
Instruction - Related Services	4,285,463	-	-	4,285,463
General Administration	93,261	-	-	93,261
Plant Services	-	432,558	-	432,558
Other Outgo	-	-	291,749	291,749
Total Expenditures	<u>4,378,724</u>	<u>432,558</u>	<u>291,749</u>	<u>5,103,031</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>553</u>	<u>(405,072)</u>	<u>23,145</u>	<u>(381,374)</u>
Other Financing Sources (Uses):				
Transfers In	-	1,225,000	-	1,225,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,225,000</u>	<u>-</u>	<u>1,225,000</u>
Net Change in Fund Balance	553	819,928	23,145	843,626
Fund Balance, July 1	54	7,009,271	94	7,009,419
Fund Balance, June 30	<u>\$ 607</u>	<u>\$ 7,829,199</u>	<u>\$ 23,239</u>	<u>\$ 7,853,045</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2015

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	\$ 2,868,301	\$ 9,414,954
Cash with a Fiscal Agent/Trustee	887,190	-
Accounts Receivable	1,821	8,302
Due from Other Funds	10,872	-
Total Assets	<u>3,768,184</u>	<u>9,423,256</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ -	\$ -
Due to Other Funds	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Restricted Fund Balances	-	1,608,708
Assigned Fund Balances	3,768,184	7,814,548
Total Fund Balance	<u>3,768,184</u>	<u>9,423,256</u>
Total Liabilities and Fund Balances	<u>\$ 3,768,184</u>	<u>\$ 9,423,256</u>

County School Facilities Fund	Capital Outlay Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 30,924	\$ 14,241,104	\$ 26,555,283
-	-	887,190
30	14,017	24,170
-	4,598,834	4,609,706
<u>30,954</u>	<u>18,853,955</u>	<u>32,076,349</u>
\$ -	\$ 65,023	\$ 65,023
-	625,136	625,136
<u>-</u>	<u>690,159</u>	<u>690,159</u>
30,954	2,493,038	4,132,700
-	15,670,758	27,253,490
<u>30,954</u>	<u>18,163,796</u>	<u>31,386,190</u>
\$ <u>30,954</u>	\$ <u>18,853,955</u>	\$ <u>32,076,349</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Building Fund	Capital Facilities Fund
Revenues:		
Other Local Revenue	\$ 557,904	\$ 2,350,456
Total Revenues	<u>557,904</u>	<u>2,350,456</u>
Expenditures:		
Plant Services	-	1,660
Debt Service:		
Principal	422,500	-
Interest	402,563	-
Total Expenditures	<u>825,063</u>	<u>1,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(267,159)</u>	<u>2,348,796</u>
Other Financing Sources (Uses):		
Transfers In	850,741	-
Transfers Out	-	(550,741)
Total Other Financing Sources (Uses)	<u>850,741</u>	<u>(550,741)</u>
Net Change in Fund Balance	583,582	1,798,055
Fund Balance, July 1	3,184,602	7,625,201
Fund Balance, June 30	<u>\$ 3,768,184</u>	<u>\$ 9,423,256</u>

County School Facilities Fund	Capital Outlay Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 124	\$ 51,529	\$ 2,960,013
<u>124</u>	<u>51,529</u>	<u>2,960,013</u>
-	381,848	383,508
-	-	422,500
-	-	402,563
<u>-</u>	<u>381,848</u>	<u>1,208,571</u>
124	(330,319)	1,751,442
-	4,598,834	5,449,575
-	(624,756)	(1,175,497)
<u>-</u>	<u>3,974,078</u>	<u>4,274,078</u>
124	3,643,759	6,025,520
30,830	14,520,037	25,360,670
<u>\$ 30,954</u>	<u>\$ 18,163,796</u>	<u>\$ 31,386,190</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUNDS

JUNE 30, 2015

	Employee Benefits Self-Insurance Trust Fund	Workers' Compensation Trust Fund
ASSETS:		
Cash in County Treasury	\$ 28,339,075	\$ 70,246,740
Cash on Hand and in Banks	100,000	500,000
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	2,374,238	230,027
Due from Other Funds	335	-
Prepaid Expenditures/Expenses	-	1,021
Total Assets	<u>30,813,648</u>	<u>70,977,788</u>
LIABILITIES:		
Accounts Payable	\$ 1,409,282	\$ 547,766
Due to Other Funds	335	6,008
Current Loans	4,479,540	44,639,811
Unearned Revenue	1,611,228	-
Total Liabilities	<u>7,500,385</u>	<u>45,193,585</u>
NET POSITION:		
Held in Trust	23,313,263	25,784,203
Total Net Position	<u>\$ 23,313,263</u>	<u>\$ 25,784,203</u>

Property & Liability Self-Insurance Trust Fund	Joint Facilities Authority	Joint Public Energy Authority	Total Private- Purpose Trust Funds (See Exhibit A-10)
\$ 25,186,217	\$ -	\$ -	\$ 123,772,032
150,000	-	-	750,000
-	3,400,574	2	3,400,576
192,839	-	-	2,797,104
6,008	-	-	6,343
-	-	-	1,021
<u>25,535,064</u>	<u>3,400,574</u>	<u>2</u>	<u>130,727,076</u>
\$ 152,518	\$ -	\$ 2	\$ 2,109,568
-	-	-	6,343
10,744,307	-	-	59,863,658
-	-	-	1,611,228
<u>10,896,825</u>	<u>-</u>	<u>2</u>	<u>63,590,797</u>
14,638,239	3,400,574	-	67,136,279
<u>\$ 14,638,239</u>	<u>\$ 3,400,574</u>	<u>\$ -</u>	<u>\$ 67,136,279</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Employee Benefits Self-Insurance Trust Fund	Workers' Compensation Trust Fund	Property & Liability Self-Insurance Trust Fund
Additions:			
Investment Income	\$ 110,516	\$ 254,963	\$ 105,166
Participant Fees	58,481,397	30,896,443	11,081,066
Transfers In	-	227,590	16,723
Commissions and Refunds	1,104,331	-	-
Total Additions	<u>59,696,244</u>	<u>31,378,996</u>	<u>11,202,955</u>
Deductions:			
Claims Paid, Net of Recoveries	42,105,459	14,086,921	4,548,751
Insurance Premiums	9,001,786	9,095,563	5,372,552
Transfers Out	-	16,723	227,590
Administrative Expenses	3,921,627	663,706	1,518,824
Construction Projects	-	-	-
Other Expenses	193,684	3,867,921	230,797
Total Deductions	<u>55,222,556</u>	<u>27,730,834</u>	<u>11,898,514</u>
Change in Net Position	4,473,688	3,648,162	(695,559)
Net Position-Beginning of the Year	18,839,575	22,136,041	15,333,798
Net Position-End of the Year	<u>\$ 23,313,263</u>	<u>\$ 25,784,203</u>	<u>\$ 14,638,239</u>

EXHIBIT C-8

Joint Facilities Authority Trust Fund	Joint Energy Authority Trust Fund	Total Private-Purpose Trust Funds (See Exhibit A-8)
\$ 1,289	\$ -	\$ 471,934
2,574,779	-	103,033,685
-	-	244,313
-	-	1,104,331
<u>2,576,068</u>	<u>-</u>	<u>104,854,263</u>
-	-	60,741,131
-	-	23,469,901
-	-	244,313
-	-	6,104,157
9,443,475	-	9,443,475
-	2	4,292,404
<u>9,443,475</u>	<u>2</u>	<u>104,295,381</u>
(6,867,407)	(2)	558,882
10,267,981	2	66,577,397
<u>\$ 3,400,574</u>	<u>\$ -</u>	<u>\$ 67,136,279</u>

SAN DIEGO COUNTY OFFICE OF EDUCATION
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2015

	Warrant/ Pass-through Fund	Student Body Fund	Total Agency Funds (See Exhibit A-10)
ASSETS:			
Cash in County Treasury	\$ 32,204,906	\$ -	\$ 32,204,906
Cash on Hand and in Banks	-	7,165	7,165
Accounts Receivable	370,180	-	370,180
Due from Other Funds	2,765,941	-	2,765,941
Total Assets	<u>35,341,027</u>	<u>7,165</u>	<u>35,348,192</u>
LIABILITIES:			
Due to Other Funds	\$ 2,765,941	\$ -	\$ 2,765,941
Due to Student Groups/Other Organizations	32,575,086	7,165	32,582,251
Total Liabilities	<u>35,341,027</u>	<u>7,165</u>	<u>35,348,192</u>
NET POSITION:			
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplementary Information

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

Supplementary Information Section

SAN DIEGO COUNTY OFFICE OF EDUCATION

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2015

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

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Lyn Neylon, Ph.D.	President	Four year term Expires January 2017
Mark C. Anderson, M.P.H.	Vice President	Four year term Expires January 2017
Gregg Robinson, Ph.D.	Member	Four year term Expires January 2017
Alicia Munos	Member	Two year term Expires January 2017
Vacant	Member	

Administration

Randolph E. Ward, Ed.D.
Superintendent

Lora Duzyk
Assistant Superintendent
Business Services Division

Pamela Gilles
Senior Director
Internal Business Services

SAN DIEGO COUNTY OFFICE OF EDUCATION

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2015

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary				
County Group Home and Institution	0.38	N/A	0.30	N/A
Juvenile Halls, Homes and Camp	30.31	N/A	38.33	N/A
Probation Referred, On Probation or Parole, Expelled Pursuant to EC 48915	254.48	N/A	293.21	N/A
Elementary Totals	<u>285.17</u>	<u>N/A</u>	<u>331.84</u>	<u>N/A</u>
High School				
County Group Home and Institution	29.58	N/A	28.96	N/A
Juvenile Halls, Homes and Camp	779.93	N/A	838.45	N/A
Probation Referred, On Probation or Parole, Expelled Pursuant to EC 48915	1,139.47	N/A	1,213.75	N/A
High School Totals	<u>1,948.98</u>	<u>N/A</u>	<u>2,081.16</u>	<u>N/A</u>
ADA Totals	<u>2,234.15</u>	<u>N/A</u>	<u>2,413.00</u>	<u>N/A</u>

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

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2015

TABLE D-2

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted & Reduced</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	68,775	235	-	Complied
Grade 1	50,400	49,000	68,775	235	-	Complied
Grade 2	50,400	49,000	68,775	235	-	Complied
Grade 3	50,400	49,000	68,775	235	-	Complied
Grade 4	54,000	52,500	68,775	235	-	Complied
Grade 5	54,000	52,500	68,775	235	-	Complied
Grade 6	54,000	52,500	68,775	235	-	Complied
Grade 7	54,000	52,500	68,775	235	-	Complied
Grade 8	54,000	52,500	68,775	235	-	Complied
Grade 9	64,800	63,000	68,775	235	-	Complied
Grade 10	64,800	63,000	68,775	235	-	Complied
Grade 11	64,800	63,000	68,775	235	-	Complied
Grade 12	64,800	63,000	68,775	235	-	Complied

County Offices of education must maintain their instructional minutes as defined in Education Code Section 46207.

The County Office has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the County Office and whether the County Office complied with the provisions of Education Code Sections 46200 through 46207. The County Office neither met nor exceeded its target funding.

SAN DIEGO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2015

TABLE D-3

General Fund	Budget 2016 (See Note 1)	2015	2014	2013
Revenues and other financial sources	\$ 254,330,282	\$ 249,436,903	\$ 237,993,061	\$ 269,497,195
Expenditures, other uses and transfers out	250,092,759	225,827,738	236,484,078	259,389,924
Change in fund balance (deficit)	4,237,523	23,609,165	1,508,983	10,107,271
Ending fund balance	\$ 102,062,176	\$ 97,824,653	\$ 74,215,488	\$ 72,706,505
Available reserves (See Note 2)	\$ 15,584,300	\$ 19,327,747	\$ 7,556,776	\$ 7,808,218
Available reserves as a percentage of total outgo (See Note 3)	6.2%	8.6%	3.2%	3.0%
Total long-term debt	\$ 117,940,187	\$ 121,292,515	\$ 19,103,520	\$ 17,220,197
Average daily attendance at P-2	2,450	2,234	3,023	3,488

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

The fund balance of the general fund has increased by \$25,118,148 (34.5%) over the past two years. The fiscal year 2015-16 budget projects an increase of \$4,237,523 (4.3%). For a county office of this size, the State recommends available reserves of at least 2% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$104,072,318 over the past two years (See Note 5).

Average daily attendance has decreased by 1,254 over the past two years.

Notes:

- 1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 On behalf payments of \$2,200,031, \$1,997,324, and \$2,023,437, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014 and 2013.
- 4 For financial reporting purposes in the fund financial statements, the Special Reserve Fund for Post Employment Benefits (Fund 20) has been combined as part of the General Fund to be in compliance with GASB Statement No. 54. This report is a reflection of activity in the General Fund only.
- 5 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.

SAN DIEGO COUNTY OFFICE OF EDUCATION

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015

TABLE D-4

	General Fund	Special Reserve Fund for OPEB (Fund 20)
June 30, 2015, annual financial and budget report fund balances	\$ 97,824,653	\$ 292,227
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Incorporation of fund in accordance with GASB 54	292,227	(292,227)
Net adjustments and reclassifications	292,227	(292,227)
June 30, 2015, audited financial statement fund balances	\$ 98,116,880	\$ -

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

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

<u>Charter Schools</u>	<u>Included In Audit?</u>
Literacy First Charter School	No

SAN DIEGO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2015

TABLE D-6
 Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Direct Program:			
US Wildlife Reserve Funds	15.663	-	\$ 1,749
Total U. S. Department of the Interior			<u>1,749</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct Program:			
Second Chance Act Prisoner Reentry Initiative	16.812	-	110,955
Second Chance Career Training Program	16.812	-	91,230
Total U. S. Department of Justice			<u>202,185</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Programs:			
Medi-Cal Billing Option	93.778	-	31,961
Adoption Opportunities: Administration for Children and Families	93.652	-	159,733
Total Direct Programs			<u>191,694</u>
Passed Through State Department of Education			
Advancing Wellness & Resilience in Education	93.243	15293	101,585
Total Passed Through State Department of Education			<u>101,585</u>
Passed Through County of San Diego Health and Human Services Agency:			
Child Care Development	93.575	519835	72,623
Total Passed Through County of San Diego Health and Human Services Agency			<u>72,623</u>
Total U. S. Department of Health and Human Services			<u>365,902</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Title I Cluster			
Title I Part A Basic	84.010	14329	1,460,298
Title I Part D Local Delinquents Program	84.010	14357	2,802,312
Total Title I Cluster			<u>4,262,610</u>
Migrant Education Cluster			
Migrant Education Even Start	84.011	14768	349,652
Migrant Education	84.011	14326	6,650,542
Total Migrant Education Cluster			<u>7,000,194</u>
Special Education Cluster			
Special Education IDEA	84.027	13379	58,220,069
Special Education Preschool Local Entitlement	84.027A	13682	3,385,844
Special Education IDEA Mental Health	84.027A	14468	3,746,343
Special Education Preschool	84.173	13430	2,124,963
Special Education Preschool Staff Development	84.173A	13431	15,907
Total Special Education Cluster			<u>67,493,126</u>
Early Intervention	84.181	23761	359,608
Title X Homeless Childrens Education	84.196	14332	211,824

SAN DIEGO COUNTY OFFICE OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2015

TABLE D-6
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Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
21st Century Cluster			
21st Century	84.287	14535 & 14603	8,804,501
21st Century Technical Assistance	84.287	14535	130,608
Total 21st Century Cluster			<u>8,935,109</u>
Title III Cluster			
Title III Limited English Proficiency	84.365	14346	26,691
Title III Technical Assistant	84.365A	14967	276,062
Total Title III Cluster			<u>302,753</u>
Title II Teacher Quality	84.367	14341	49,629
Race to the Top - Early Learning Challenge	84.412A	542056	2,245,507
Total Passed Through State Department of Education			<u>90,860,360</u>
Total U. S. Department of Education			<u>90,860,360</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Direct Program:			
Forest Reserve Funds	10.665	-	291,749
Passed Through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13393	139,406
School Breakfast Needy	10.553	13526	1,056
National School Lunch Program - Section 4	10.555	13391	50,477
National School Lunch Program - Section 11	10.555	13396	291,113
National School Lunch Program - Special Milk Basic	10.556	13392	8,480
Total Child Nutrition Cluster	10.555	13396	<u>490,532</u>
Total U. S. Department of Agriculture			<u>782,281</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 92,212,477</u>

The accompanying notes are an integral part of this schedule.

SAN DIEGO COUNTY OFFICE OF EDUCATION
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Diego County Office of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Special Education IDEA	84.027	\$ 57,475,469
Special Education Preschool Local Entitlement	84.027A	3,373,396
Special Education IDEA Mental Health	84.027A	3,715,722
Special Education Preschool	84.173	2,103,651
Special Education Preschool Staff Development	84.173A	15,745
Early Intervention	84.181	61,055
21st Century	84.287	8,804,501
21st Century Technical Assistance	84.287	7,564
Title III Technical Assistance	84.365	101,691
Child Nutrition	10.555	379,487
Total Provided to Subrecipients		\$ 76,038,281

Other Independent Auditor's Reports

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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego County Office of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise San Diego County Office of Education's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San Diego County Office of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

San Diego County Office of Education's Response to Findings

San Diego County Office of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Diego County Office of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2015

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the San Diego County Office of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the San Diego County Office of Education's major federal programs for the year ended June 30, 2015. San Diego County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Diego County Office of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the San Diego County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the San Diego County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2015

Independent Auditor's Report on State Compliance

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

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
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**LOCAL EDUCATION AGENCIES
OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	N/A

Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:

California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	N/A
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

CHARTER SCHOOLS:

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Opinion on State Compliance

In our opinion, San Diego County Office of Education complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. We did not modify our opinion with respect to this matter.

San Diego County Office of Education's Response to Findings

San Diego County Office of Education's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. San Diego County Office of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co. LLP

El Cajon, California
December 15, 2015

Findings and Recommendations Section

SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
84.011	Migrant Education Cluster
84.027, 84.173	Special Education Cluster
84.287	21st Century Learning

Dollar threshold used to distinguish between type A and type B programs: \$2,766,374

Auditee qualified as low-risk auditee? Yes X No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies? X Yes No

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

SAN DIEGO COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding 2015-001 (70000)
Instructional Materials

Criteria or Specific Requirement

Education Code Section 60119(b) requires that the governing board of a local education agency hold a public hearing or hearings at which the governing board encourages the participation of parents, teachers, members of the community, and bargaining unit leaders as to whether each pupil in each school has sufficient textbooks or instructional materials, or both that are aligned to the content standards adopted pursuant to Section 60605. The hearing may not take place during or immediately following school hours.

Condition

In our review of the public hearing held by the County Office to determine the sufficiency of textbooks and instructional materials, we noted that the hearing was held at 2:00 PM which is at a time that does not encourage the participation of parents, teachers, members of the community, or bargaining unit leaders.

Questioned Costs

None, there is no longer funding connected with this compliance requirement.

Cause

The governing board moved up the time of the board meeting in which the public hearing was held. The governing board was unaware of the requirement to hold the hearing at a time that encouraged the participation of parents, teachers, members of the community, and bargaining unit leaders.

Effect

The County Office was not in compliance with Education Code Section 60119(b).

Recommendation

Implement procedures to ensure the public hearing held to determine the sufficiency of instructional materials is held at a time that encourages the participation of parents, teachers, members of the community, and bargaining unit leaders.

LEA's Response

The board meeting will be scheduled for later in the day.

SAN DIEGO COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings reported in the prior year audit report.		