

MARIN COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENTS

June 30, 2015

MARIN COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015
(Continued)

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	13
STATEMENT OF ACTIVITIES.....	14
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS.....	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES.....	18
STATEMENT OF NET POSITION - PROPRIETARY FUND - SELF-INSURANCE FUND.....	19
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND - SELF-INSURANCE FUND.....	20
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - SELF-INSURANCE FUND.....	21
STATEMENT OF NET POSITION - PROPRIETARY FUND - OTHER ENTERPRISE FUND.....	22
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND - OTHER ENTERPRISE FUND.....	23
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - OTHER ENTERPRISE FUND.....	24
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND.....	25
NOTES TO FINANCIAL STATEMENTS.....	26
REQUIRED SUPPLEMENTARY INFORMATION:	
COUNTY SCHOOL SERVICE FUND BUDGETARY COMPARISON SCHEDULE.....	53
SPECIAL EDUCATION PASS-THROUGH FUND BUDGETARY COMPARISON SCHEDULE.....	54

MARIN COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED):

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS.....	55
SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	56
SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS.....	58
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	60

SUPPLEMENTARY INFORMATION:

COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS.....	61
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS.....	62
ORGANIZATION.....	63
SCHEDULE OF AVERAGE DAILY ATTENDANCE.....	64
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS.....	65
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS.....	67
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED.....	68
SCHEDULE OF CHARTER SCHOOLS.....	69
NOTE TO SUPPLEMENTARY INFORMATION.....	70
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	71
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 <i>GOVERNMENT AUDITING STANDARDS</i>	74
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	76
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	78
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marin 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 Marin County Office of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marin 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.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in Notes 7 and 8, GASB Statements No. 68 and No. 71 are effective for the County Office's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. 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* on pages 4 to 12, the County School Service Fund and Special Education Pass-through Fund Budgetary Comparison Schedules, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the County Office's Proportionate Share of the Net Pension Liability, and the Schedule of the County Office's Contributions on pages 54 to 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marin County Office of Education's basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents 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, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of Marin County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Marin County Office of Education's internal control over financial reporting and compliance.



Crowe Horwath LLP

Sacramento, California
December 10, 2015

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

An overview of the Marin County Office of Education (County)'s financial activities for the fiscal year ended June 30, 2015, is presented in this discussion and analysis of the County's financial position and performance.

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

Financial Highlights

- ◆ The County has a \$14.7 million fund balance in the unrestricted county school service fund.
- ◆ The County maintained reserves in the county school service fund are greater than the minimum reserves recommended by the state.

Overview of the Financial Statements

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

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

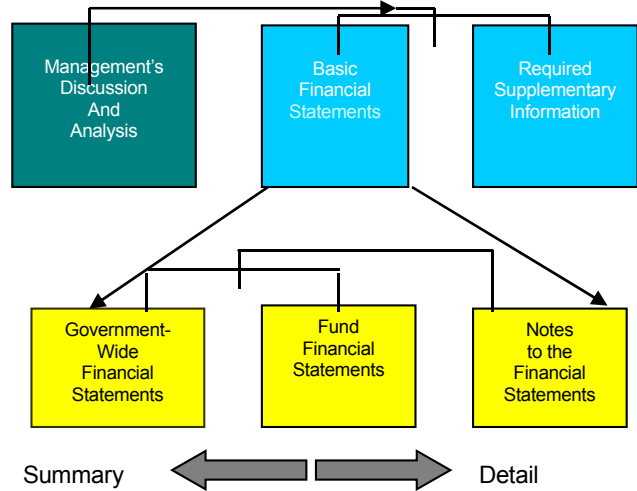
The fund financial statements are further broken down into three types:

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

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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



Major Features of the Government-Wide and Fund Financial Statements

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

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

The County has three categories of funds:

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

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Fund Financial Statements (Concluded)

- ◆ *Fiduciary funds* - The County is the trustee, or fiduciary, for assets that belong to others, such as the payroll clearing fund. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net position. These activities are excluded from the government-wide financial statements because the County cannot use these assets to finance operations.

Financial Analysis of the Governmental Activities

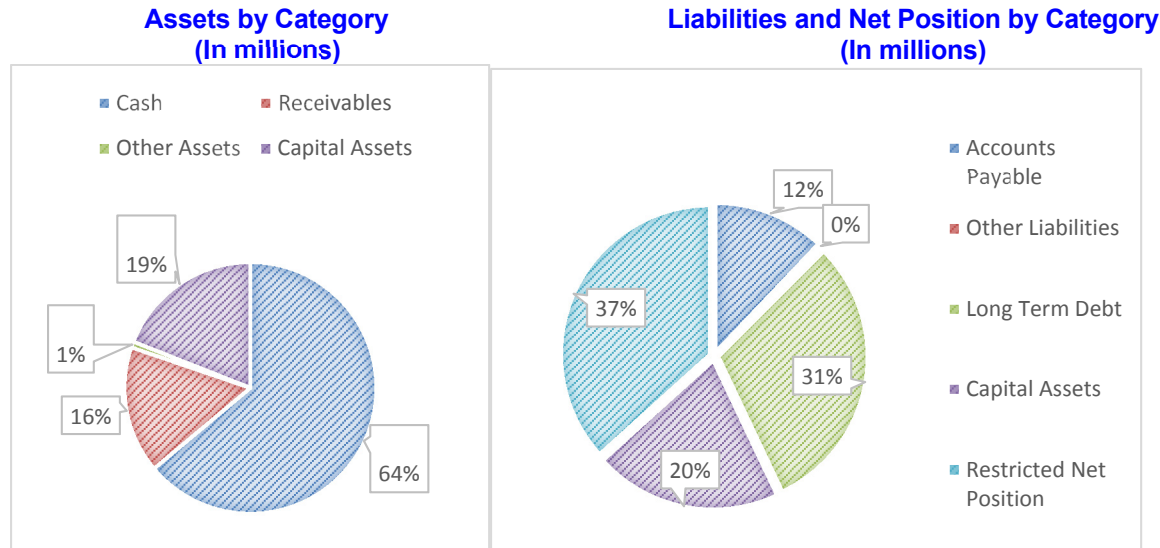
The comparison of the County's Net position as of June 30, 2015 and June 30, 2014, is presented by category in the table below. Statement No. 68 of Government Accounting Standard Board (GASB 68) requires government entities to project future benefit payment for current and former employees and record the amount as net pension liability effective June 30, 2015. The County's proportionate share of the net pension liability and the California State Teachers Retirement System and California Public Employee Retirement System proportionate share of the net pension liability associated with the county office totals \$17,346,400. Due to implementation of GASB 68, the District's beginning net pension liability was restated to show deferred outflows of resources for pensions of \$1,364,077 and the net pension liability of \$22,497,000. Because of these restatements, the District's net position for fiscal year ending June 30, 2014 has been restated to \$29,626,488 from \$50,759,411. This amount is shown as long term liability in the governmental activity. As a result, as of June 30, 2015, the Net Position of the county decreased by \$1,8277,321 compare to June 30, 2014.

	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014
Current and Other Assets:		
Cash	\$38,914,075	\$37,787,332
Receivables	9,945,396	9,134,186
Due from other funds (Internal Balances)	376,742	292,872
Prepaid expenses	87,007	93,346
Other current assets		10,500
Capital assets, net of depreciation	11,580,456	11,853,337
Total Assets	60,903,676	59,171,573
Deferred Outflows of Resources	1,452,772	0
Liabilities		
Accounts payable	6,878,337	7,934,606
Deferred revenue	235,871	90,024
Long-term liabilities due after one year	17,346,400	387,532
Total Liabilities	24,460,608	8,412,162
Deferred Inflows of Resources	5,413,750	0
Net Position:		
Net investment in capital assets	11,580,457	11,853,337
Restricted	26,901,367	27,029,703
Unrestricted	(5,999,733)	11,876,371
Total Net Position	\$ 32,482,090	\$ 50,759,411

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Analysis of the Governmental Activities (Concluded)

Presented below is a graph depicting assets by category, along with a graph displaying liabilities and Net position by category for the 2015 fiscal year.



Changes in Net Position – Governmental Activities

A comparison of the total County revenues, expenses, and change in Net position of governmental activities between the 2013-14 and 2014-15 fiscal years is presented in the table below.

	Change in Net Position June 30, 2015	Change in Net Position June 30, 2014
Revenues – Program:		
Charges for Services	749,425	1,293,445
Operating Grants and Contributions	17,948,323	18,432,944
Unrestricted Federal and State Aid	2,452,720	2,710,358
Taxes Levied	29,852,164	29,110,012
Interest and Investment Earnings	82,092	51,986
Other General Revenues and Transfers In	2,778,972	2,722,458
Total Revenues	53,863,696	54,321,203
Expenses:		
Instruction	12,927,027	12,410,974
Pupil and Instruction-related Services	8,375,372	9,228,619
General Administration	5,747,481	5,301,583
Plant Services	1,186,338	1,139,466
Other Expenses	22,771,876	23,224,646
Total Expenses	51,008,094	51,305,288
Increase in Net position	2,855,602	3,015,915
Net position, Beginning of the Year	50,759,411	47,743,496
Effect of GASB 68 implementation	(21,132,923)	-
Net position, Beginning of the Year, Restated	29,626,488	
Net position, End of the Year	\$ 32,482,090	\$ 50,759,411

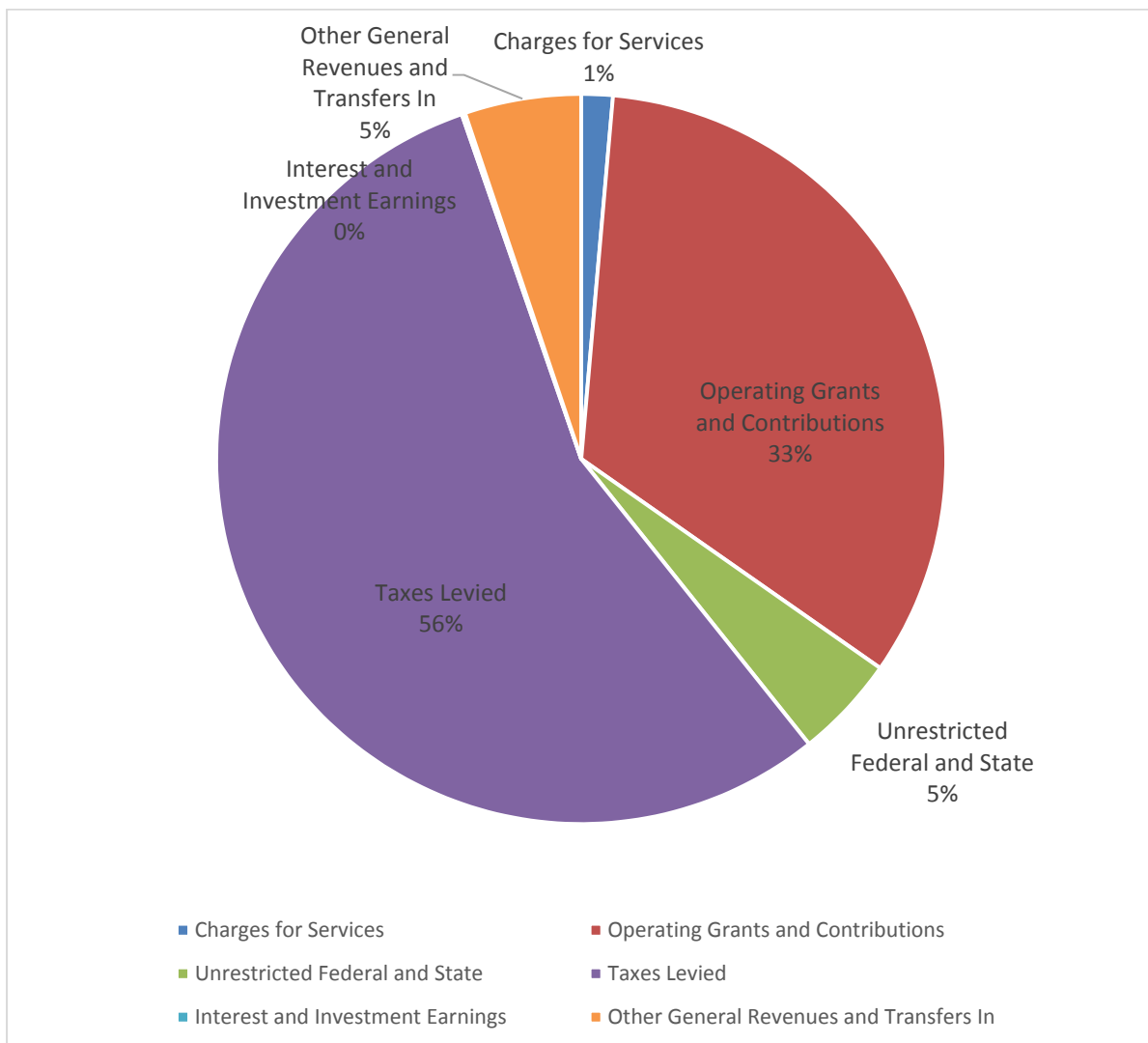
**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Changes in Net position – Governmental Activities (Concluded)

For the 2014-15 fiscal year, total County revenues were \$53.8 million. Total County expenses were \$51.0 million. The difference of \$2.8 million is the increase in governmental activities Net position, bringing the total governmental activities Net position at June 30, 2015 to \$32.5 million (after the effect of the GASB 68 implementation).

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

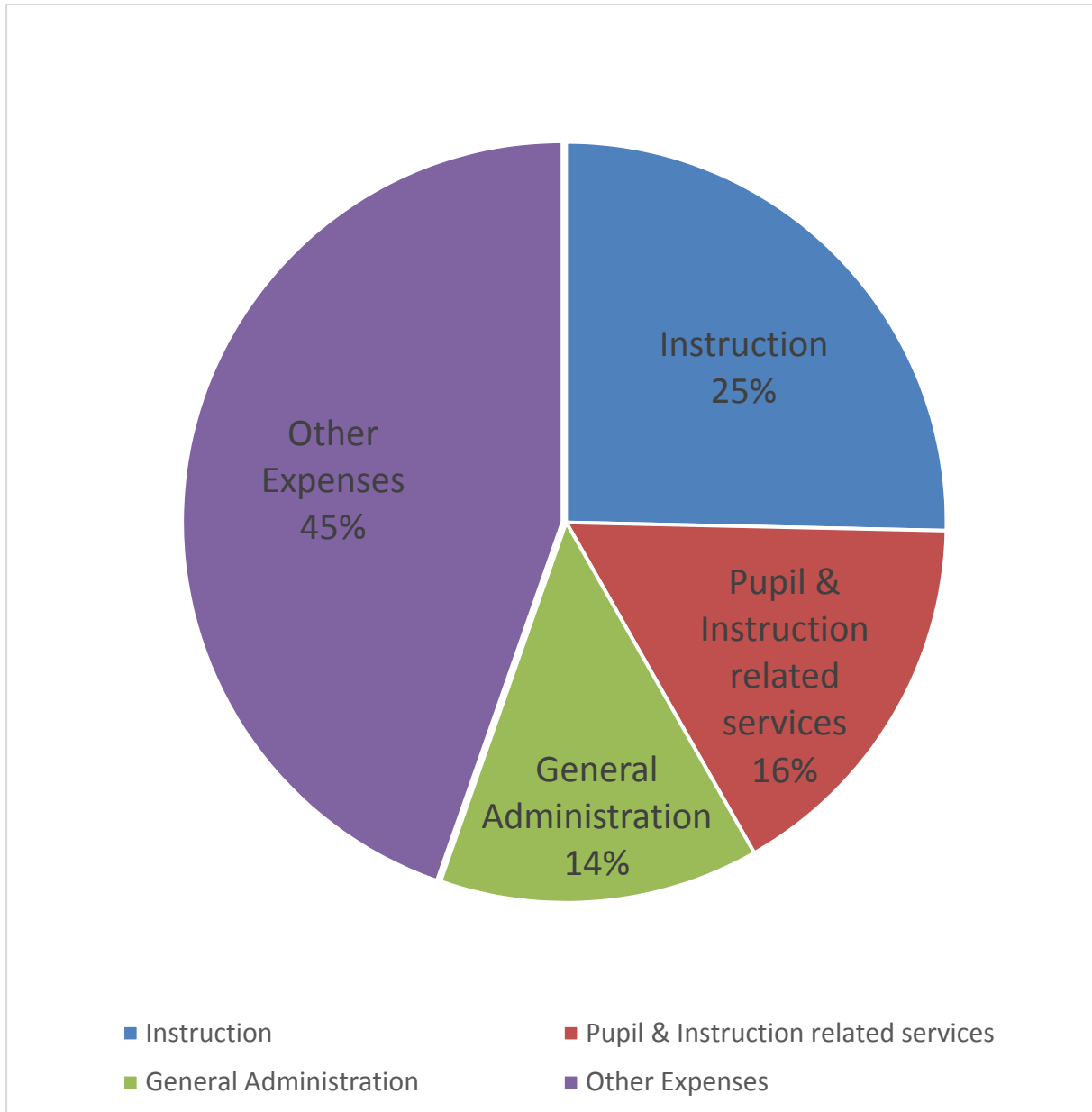
Revenue Sources by Percentage – Governmental Activities



**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Functional Expenses by Percentage – Governmental Activities



**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Governmental Activities

Governmental Activities Expenses

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction, Instruction-related Services and Pupil Services	\$21,302,399	\$ 13,508,555	\$21,639,593	\$13,292,298
General Administrative and Plant Services	6,933,819	6,000,883	6,441,049	5,591,463
Other Expenses	22,771,876	12,800,908	23,224,646	12,695,138
Totals	\$ 51,008,094	\$ 32,310,346	\$51,305,288	\$31,578,899

This table displays by function the total and net cost of services provided for the 2015 and 2014 fiscal years. The net cost of services represents the total cost less operating and capital grants and contributions, and for revenue received where a charge is made for the service provided.

Financial Analysis of the County's Funds

The positive financial results of the County as a whole are also reflected in its governmental funds. At June 30, 2015, the County's governmental funds reported a combined fund balance of \$41.4 million.

County School Service Fund Budgetary Highlights

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

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

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Capital Asset and Debt Administration – The County As A Whole

Capital Assets (Net of Depreciation)

	County-Wide Activities	
	2015	2014
Land	\$2,074,221	\$2,074,221
Buildings and Improvement of Sites	12,275,719	12,461,564
Machinery and Equipment	487,063	554,259
Totals	\$14,837,003	\$15,090,044

Capital assets in the table above are reflected at June 30, 2015 and 2014. The County uses \$5,000 as its capitalization threshold. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives.

Outstanding Debt at Year-End

	County-Wide Activities	
	2015	2014
Compensated Absences	\$227,583	\$239,582
Other Post-Employment Benefits	94,816	147,950
Net Pension Liability	18,141,000	24,137,000
Totals	\$18,463,399	\$24,524,532

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

Economic Factors and Next Year's Budget

Factors impacting the 2015-16 County budget include the following:

The Marin County Office of Education (MCOE) is both an excess tax county office and a hold harmless county office under the Local Control Funding Formula (LCFF). This means the MCOE's local property taxes exceed its LCFF entitlement, and the 2012-13 hold harmless base funding exceeds the LCFF entitlement. Any growth in local property taxes beyond our state minimum may result in an increase in revenue.

Contacting the County's Financial Management

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

BASIC FINANCIAL STATEMENTS

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 38,914,075	\$ 1,166,804	\$ 40,080,879
Receivables	9,945,396	233,352	10,178,748
Internal balances	376,742	(376,742)	-
Stores inventory	-	16,251	16,251
Prepaid expenses	87,007	984	87,991
Non-depreciable capital assets (Note 4)	400,000	1,674,221	2,074,221
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>11,180,456</u>	<u>1,582,326</u>	<u>12,762,782</u>
Total assets	<u>60,903,676</u>	<u>4,297,196</u>	<u>65,200,872</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions (Notes 7 and 8)	<u>1,452,772</u>	<u>118,825</u>	<u>1,571,597</u>
LIABILITIES			
Accounts payable	6,878,337	84,770	6,963,107
Unearned revenue	235,871	73,876	309,747
Long-term liabilities (Note 5):			
Due after one year	<u>17,346,400</u>	<u>1,117,000</u>	<u>18,463,400</u>
Total liabilities	<u>24,460,608</u>	<u>1,275,646</u>	<u>29,589,924</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>5,413,750</u>	<u>474,000</u>	<u>5,887,750</u>
NET POSITION			
Net investment in capital assets	11,580,456	3,256,547	14,837,003
Restricted (Note 6)	26,901,367	-	26,901,367
Unrestricted	<u>(5,999,733)</u>	<u>(590,172)</u>	<u>(6,589,905)</u>
Total net position	<u>\$ 32,482,090</u>	<u>\$ 2,666,375</u>	<u>\$ 35,148,465</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction	\$ 12,927,027	\$ 3,482,738	\$ -	\$ (9,404,590)	\$ -	\$ (9,404,590)
Instruction-related services:						
Supervision of instruction	7,282,143	3,240,394	-	(3,542,174)	-	(3,542,174)
Instructional library, media and technology	81,963	66,960	-	11,290	-	11,290
Pupil services	1,011,266	429,952	-	(573,081)	-	(573,081)
General administration:						
Data processing	1,265,249	82,142	-	(1,154,664)	-	(1,154,664)
All other general administration	4,482,232	672,098	-	(3,731,279)	-	(3,731,279)
Plant services	1,186,338	71,698	-	(1,114,640)	-	(1,114,640)
Ancillary services	234,763	179,175	-	(27,732)	-	(27,732)
Community services	559,352	110,420	-	(408,461)	-	(408,461)
Other outgo	21,977,761	9,612,746	-	(12,365,015)	-	(12,365,015)
Business-type activities:						
Enterprise activities	2,514,519	-	-	-	(2,514,519)	(2,514,519)
Total governmental and business-type activities	\$ 53,522,613	\$ 17,948,323	\$ -	(32,310,346)	(2,514,519)	(34,824,865)
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				29,823,750	-	29,823,750
Taxes levied for other specific purposes				28,414	-	28,414
Federal and state aid not restricted to specific purposes				2,452,720	-	2,452,720
Interest and investment earnings				82,092	1,289	83,381
Interagency revenues				75,757	-	75,757
Miscellaneous				2,320,564	3,230,424	5,550,988
Internal transfers				(382,651)	(382,651)	-
Total general revenues				35,165,948	2,849,062	38,015,010
Change in net position				2,855,602	334,543	3,190,145
Net position, July 1, 2014				50,759,411	3,853,670	54,613,081
Cumulative effect of implementation of GASB 68				(21,132,923)	(1,521,838)	(22,654,761)
Net position, July 1, 2014, as restated				29,626,488	2,331,832	31,958,320
Net position, June 30, 2015				\$ 32,482,090	\$ 2,666,375	\$ 35,148,465

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	County School Service Fund	Special Education Pass-Through Fund	Special Reserve for Capital Outlay Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 16,723,502	\$ 1,873,746	\$ 17,536,132	\$ 2,063,273	\$ 38,196,653
Cash in revolving fund	6,499	-	-	-	6,499
Receivables	8,500,643	1,376,348	-	67,701	9,944,692
Due from other funds	586,010	843,505	-	-	1,429,515
Prepaid expenditures	<u>87,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,007</u>
Total assets	<u>\$ 25,903,661</u>	<u>\$ 4,093,599</u>	<u>\$ 17,536,132</u>	<u>\$ 2,130,974</u>	<u>\$ 49,664,366</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,031,035	\$ 3,821,891	\$ -	\$ 18,837	\$ 6,871,763
Due to other funds	1,001,000	103,632	-	70,056	1,174,688
Unearned revenue	<u>235,384</u>	<u>-</u>	<u>-</u>	<u>487</u>	<u>235,871</u>
Total liabilities	<u>4,267,419</u>	<u>3,925,523</u>	<u>-</u>	<u>89,380</u>	<u>8,282,322</u>
Fund balances:					
Nonspendable	93,506	-	-	-	93,506
Restricted	6,715,087	168,076	17,536,132	2,041,594	26,460,889
Committed	12,952,486	-	-	-	12,952,486
Unassigned	<u>1,875,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,875,163</u>
Total fund balances	<u>21,636,242</u>	<u>168,076</u>	<u>17,536,132</u>	<u>2,041,594</u>	<u>41,382,044</u>
Total liabilities and fund balances	<u>\$ 25,903,661</u>	<u>\$ 4,093,599</u>	<u>\$ 17,536,132</u>	<u>\$ 2,130,974</u>	<u>\$ 49,664,366</u>

See accompanying notes to financial statements.

MARIN 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 \$ 41,382,044

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$19,178,238 and the accumulated depreciation is \$7,597,782 (Note 4). 11,580,456

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2015 consisted of (Note 5):

Net pension liability (Notes 7 and 8)	(17,024,000)	
Other postemployment benefits (Note 9)	\$ (94,816)	
Compensated absences	<u>(227,584)</u>	
		(17,346,400)

Internal service funds are used to conduct certain activities for which costs are charged to other funds. Assets and liabilities are reported with governmental activities in the Statement of Net Position. 826,968

In government 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 (Notes 5, 7 and 8).

Deferred outflows of resources relating to pensions	\$ 1,452,772	
Deferred inflows of resources relating to pensions	<u>(5,413,750)</u>	
		<u>(3,960,978)</u>

Total net position - governmental activities \$ 32,482,090

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	County School Service Fund	Special Education Pass-Through Fund	Special Reserve for Capital Outlay Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 2,188,939	\$ -	\$ -	\$ -	\$ 2,188,939
Local sources	<u>14,532,713</u>	<u>15,291,456</u>	<u>-</u>	<u>-</u>	<u>29,824,169</u>
Total LCFF	<u>16,721,652</u>	<u>15,291,456</u>	<u>-</u>	<u>-</u>	<u>32,013,108</u>
Federal sources	2,388,683	-	-	117,771	2,506,454
Other state sources	2,513,910	-	-	1,241	2,515,151
Other local sources	<u>9,237,030</u>	<u>4,254</u>	<u>32,059</u>	<u>405,627</u>	<u>9,678,970</u>
Total revenues	<u>30,861,275</u>	<u>15,295,710</u>	<u>32,059</u>	<u>524,639</u>	<u>46,713,683</u>
Expenditures:					
Current:					
Certificated salaries	7,743,781	-	-	-	7,743,781
Classified salaries	7,481,293	-	-	82,450	7,563,743
Employee benefits	5,058,143	-	-	14,132	5,072,275
Books and supplies	737,318	-	-	2,028	739,346
Contract services and operating expenditures	6,802,712	-	-	573,655	7,376,367
Transfers to Districts	-	15,397,272	-	-	15,397,272
Capital outlay	<u>335,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,545</u>
Total expenditures	<u>28,158,792</u>	<u>15,397,272</u>	<u>-</u>	<u>672,265</u>	<u>44,228,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,702,483</u>	<u>(101,562)</u>	<u>32,059</u>	<u>(147,626)</u>	<u>2,485,354</u>
Other financing sources (uses):					
Transfers in	421,044	-	-	-	421,044
Transfers out	<u>(29,670)</u>	<u>-</u>	<u>-</u>	<u>(8,724)</u>	<u>(38,394)</u>
Total other financing sources (uses)	<u>391,374</u>	<u>-</u>	<u>-</u>	<u>(8,724)</u>	<u>382,650</u>
Net change in fund balances	3,093,857	(101,562)	32,059	(156,350)	2,868,004
Fund balances, July 1, 2014	<u>18,542,385</u>	<u>269,638</u>	<u>17,504,073</u>	<u>2,197,944</u>	<u>38,514,040</u>
Fund balances, June 30, 2015	<u>\$ 21,636,242</u>	<u>\$ 168,076</u>	<u>\$ 17,536,132</u>	<u>\$ 2,041,594</u>	<u>\$ 41,382,044</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net change in fund balances - Total Governmental Funds	\$ 2,868,004
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	335,545
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(608,426)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	147,945
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In government-wide statements, other postemployment benefits are recognized on the accrual basis (Notes 5 and 9).	53,134
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	11,998
Activities of the internal service fund are reported with governmental activities.	<u>47,402</u>
Change in net position of governmental activities	<u><u>\$ 2,855,602</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2015

ASSETS

Current assets:

Cash in County Treasury	\$ 710,923
Receivables	704
Due from other funds	<u>121,915</u>

Total current assets	<u>833,542</u>
----------------------	----------------

LIABILITIES

Accounts payable	<u>6,574</u>
------------------	--------------

NET POSITION

Restricted	<u><u>\$ 826,968</u></u>
------------	--------------------------

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2015

Operating revenues:	
Contributions	\$ 150,311
Operating expenses:	
Contract services and operating expenses	<u>104,202</u>
Operating income	46,109
Non-operating revenue:	
Interest income	<u>1,293</u>
Change in net position	47,402
Net position, July 1, 2013	<u>779,566</u>
Net position, June 30, 2015	<u><u>\$ 826,968</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from premiums	\$ 139,872
Cash paid for services	<u>(97,628)</u>
Net cash provided by operating activities	42,244
Cash flows provided by investing activities:	
Interest income received	<u>1,359</u>
Increase in Cash in County Treasury	43,603
Cash in County Treasury, July 1, 2014	<u>667,320</u>
Cash in County Treasury, June 30, 2015	<u><u>\$ 710,923</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 46,109
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other funds	(10,439)
Decrease in accounts payable	<u>6,574</u>
Net cash provided by operating activities	<u><u>\$ 42,244</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
OTHER ENTERPRISE FUND
June 30, 2015

ASSETS

Current assets:	
Cash in County Treasury	\$ 1,151,937
Cash in banks	9,717
Cash in revolving fund	5,150
Receivables	233,352
Due from other funds	35,580
Stores inventory	16,251
Prepaid expenses	<u>984</u>
Total current assets	<u>1,452,971</u>
Non-depreciable capital assets	1,674,221
Depreciable capital assets, net of accumulated depreciation	<u>1,582,326</u>
Total assets	<u>4,709,518</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow of resources - pensions	<u>118,825</u>
------------------------------------------	----------------

LIABILITIES

Current liabilities:	
Accounts payable	84,770
Due to other funds	412,322
Unearned revenue	<u>73,876</u>
Total current liabilities	570,968
Long-term liabilities - due after one year	<u>1,117,000</u>
Total liabilities	<u>1,687,968</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow of resources - pensions	<u>474,000</u>
-----------------------------------------	----------------

NET POSITION

Net investment in capital assets	3,256,547
Unrestricted	<u>(590,172)</u>
Total net position	<u>\$ 2,666,375</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND
OTHER ENTERPRISE FUND
For the Year Ended June 30, 2015

Operating revenues:	
Other local revenues	<u>\$ 3,230,424</u>
Operating expenses:	
Certificated salaries	11,972
Classified salaries	1,351,765
Employee benefits	411,774
Books and supplies	385,076
Contract services and operating expenses	268,844
Depreciation expense	<u>85,088</u>
Total operating expenses	<u>2,514,519</u>
Operating income	<u>715,905</u>
Non-operating revenue (expense):	
Interest income	1,289
Transfers in	29,670
Transfers out	<u>(412,321)</u>
Total non-operating revenue (expense)	<u>(381,362)</u>
Change in net position	<u>334,543</u>
Net position, July 1, 2014	3,853,670
Cumulative effect of implementation of GASB 68	<u>(1,521,838)</u>
Net position, July 1, 2014, as restated	<u>2,331,832</u>
Net position, June 30, 2015	<u><u>\$ 2,666,375</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
OTHER ENTERPRISE FUND
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from local sources	\$ 3,135,435
Cash paid to suppliers for goods and services	(617,684)
Cash paid for employee benefits and operating expenses	<u>(1,825,174)</u>
Net cash provided by operating activities	<u>692,577</u>
Cash flows from capital and financing activities:	
Purchase of capital assets	(104,928)
Transfers in	21,252
Transfers out	<u>(320,033)</u>
Net cash used in capital and financing activities	<u>(403,709)</u>
Cash flows provided by investing activities:	
Interest income received	<u>1,289</u>
Increase in cash and cash equivalents	290,157
Cash and cash equivalents, July 1, 2014	<u>876,647</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 1,166,804</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 715,905</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	85,088
Pension expense	(49,663)
Decrease (increase) in:	
Receivables	(39,296)
Prepaid expenses	4,352
Inventory	(4,811)
Increase (decrease) in:	
Accounts payable	36,695
Unearned revenue	<u>(55,693)</u>
Total adjustments	<u>(23,328)</u>
Net cash provided by operating activities	<u>\$ 692,577</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2015

	Payroll Clearing <u>Fund</u>
ASSETS	
Cash in County Treasury (Note 2)	\$ 837,833
Receivables	<u>1,872</u>
Total assets	<u><u>\$ 839,705</u></u>
LIABILITIES	
Accounts payable	<u><u>\$ 839,705</u></u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: The Superintendent of Schools and the Board of Education are the level of government which has governance responsibilities over all activities related to public school education as conducted by the County Office. The County Office is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have approval authority, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The County Office receives funding from local, state and federal government sources and must comply with all the requirements of these funding sources.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the County Office's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the County Office's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements, and are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

County School Service Fund:

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

Special Education Pass-Through Fund:

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

Special Reserve for Capital Outlay Fund:

The Special Reserve for Capital Outlay Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This includes the Child Development, Deferred Maintenance, and Foundation Special Revenue Funds.

The County School Facilities Fund is a Capital Projects Fund used to account for resources used for the acquisition of capital facilities by the County Office.

The Self-Insurance Fund is an Internal Service Fund which is used to account for services rendered on a cost-reimbursement basis, and funds held for early retirement incentive agreements and other post-employment benefits.

The Other Enterprise Fund is used to account for the operations of the outdoor education and conference programs at Walker Creek Ranch, which are financed and operated in a manner similar to business enterprises, where the intent is to recover the cost of providing the services through user charges.

The Payroll Clearing Fund is an Agency Fund which is used to account for the activities for which the County Office has an agency relationship with the activity of the fund. This fund is used to account for the payroll for all educational entities within the county.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied

Accrual: Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The County has determined that no allowance for doubtful accounts was needed as of June 30, 2015.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The County Office has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The County Office has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of pension amounts in aggregate as of June 30, 2015:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Governmental Activities:			
Deferred outflows of resources	\$ 655,827	\$ 796,945	\$ 1,452,772
Deferred inflows of resources	\$ 2,507,000	\$ 2,906,750	\$ 5,413,750
Net pension liability	\$ 10,183,000	\$ 6,841,000	\$ 17,024,000
Pension expense	\$ 1,028,293	\$ 422,534	\$ 1,450,827
Business-Type Activities:			
Deferred outflows of resources	\$ -	\$ 118,825	\$ 118,825
Deferred inflows of resources	\$ -	\$ 474,000	\$ 474,000
Net pension liability	\$ -	\$ 1,117,000	\$ 1,117,000
Pension expense	\$ -	\$ 69,162	\$ 69,162

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or governmental proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Compensated Absences: Compensated absences benefits totaling \$227,584 are recorded as a liability of the County Office. The liability is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position restricted for special purposes. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the County Office's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2015, the County Office had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the County Office's Board of Education has approved to be used for specific purposes, based on the County Office's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2015, the Marin County Superintendent had been designated with authority to make fund balance assignments.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E - Unassigned Fund Balance:

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require county offices to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. The County Office has established a policy to maintain a 5% reserve for economic uncertainty, and has established a stabilization arrangement, reflected as committed fund balance in the General Fund.

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In June 2012, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB Statement No. 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the County Office's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the County Office's July 1, 2014 net position was restated by \$22,654,761 because of the beginning of year net pension liability and deferred outflows of resources.

In November 2013, GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 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. GASB Statement No. 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 provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the County Office's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the County Office established a Deferred Outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the Statement of Net Position.

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement is the final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the County Office's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statement Nos. 67 and 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. GASB Statement No. 73 is effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this Statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the County Office's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the County Office's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the County Office's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash at June 30, 2015 consisted of the following:

	<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 38,907,576	\$ 1,151,937	\$ 837,833
Deposits:			
Cash in banks	-	9,717	-
Revolving cash fund	<u>6,499</u>	<u>5,150</u>	<u>-</u>
Total	<u>\$ 38,914,075</u>	<u>\$ 1,166,804</u>	<u>\$ 837,833</u>

Pooled Funds: In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the Marin County Treasury. The County pools these funds with other governmental agencies in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

In accordance with applicable state laws, the Marin County Treasurer may invest in derivative securities. However, at June 30, 2015, the Marin County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The County Office limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2015, the carrying amount of the County Office's accounts was \$21,366 and the bank balances were \$21,336, all of which was insured.

Interest Rate Risk: The County Office does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2015, the County Office had no significant interest rate risk related to cash and investments held.

Credit Risk: The County Office does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The County Office does not place limits on the amount it may invest in any one issuer. At June 30, 2015, the County Office had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2015 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<u>Governmental Activities</u>		
Major Fund:		
General Fund	\$ 586,010	\$ 1,001,000
Special Education Pass-Through	843,505	103,632
Non-Major Funds:		
Child Development	-	70,056
Proprietary Funds:		
Self-Insurance	121,915	-
<u>Business-Type Activities</u>		
Other Enterprise Fund	<u>35,580</u>	<u>412,322</u>
Totals	<u>\$ 1,587,010</u>	<u>\$ 1,587,010</u>

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Interfund transfers for the 2014-15 fiscal year ended were as follows:

Transfer from the Other Enterprise Fund to the County School Service Fund for indirect costs.	\$ 412,320
Transfer from the County School Service Fund to the Other Enterprise Fund for National School Lunch Program revenues earned by the Enterprise fund.	29,670
Transfer from the Child Development Fund to the County School Service Fund for indirect costs.	<u>8,724</u>
	<u><u>\$ 450,714</u></u>

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	<u>Balance July 1, 2014</u>	<u>Transfers and Additions</u>	<u>Transfers and Deductions</u>	<u>Balance June 30, 2015</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Depreciable:				
Buildings and improvements	15,866,639	292,621	-	16,159,260
Equipment	<u>2,626,555</u>	<u>42,924</u>	<u>50,501</u>	<u>2,618,978</u>
Totals, at cost	<u>18,893,194</u>	<u>335,545</u>	<u>50,501</u>	<u>19,178,238</u>
Less accumulated depreciation:				
Buildings and improvements	(4,906,838)	(507,125)	-	(5,413,963)
Equipment	<u>(2,133,019)</u>	<u>(101,301)</u>	<u>(50,501)</u>	<u>(2,183,819)</u>
Total accumulated depreciation	<u>(7,039,857)</u>	<u>(608,426)</u>	<u>(50,501)</u>	<u>(7,597,782)</u>
Capital assets, net	<u><u>\$ 11,853,337</u></u>	<u><u>\$ (272,881)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,580,456</u></u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u><u>\$ 608,426</u></u>
-------------	--------------------------

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance July 1, <u>2014</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2015</u>
<u>Business-Type Activities</u>				
Non-depreciable:				
Land	\$ 1,674,221	\$ -	\$ -	\$ 1,674,221
Depreciable:				
Buildings and improvements	2,925,766	104,928	-	3,030,694
Equipment	<u>274,123</u>	<u>-</u>	<u>-</u>	<u>274,123</u>
Totals, at cost	<u>4,874,110</u>	<u>104,928</u>	<u>-</u>	<u>4,979,038</u>
Less accumulated depreciation:				
Buildings and improvements	(1,424,003)	(76,269)	-	(1,500,272)
Equipment	<u>(213,400)</u>	<u>(8,819)</u>	<u>-</u>	<u>(222,219)</u>
Total accumulated depreciation	<u>(1,637,403)</u>	<u>(85,088)</u>	<u>-</u>	<u>(1,722,491)</u>
Capital assets, net	<u>\$ 3,236,707</u>	<u>\$ 19,840</u>	<u>\$ -</u>	<u>\$ 3,256,547</u>

Depreciation expense was charged to business-type activities.

NOTE 5 - LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2015 is shown below:

	Balance July 1, 2014 as Restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
<u>Governmental Activities</u>					
Net pension liability (Notes 7 and 8)	\$ 22,497,000	\$ -	\$ 5,473,000	\$ 17,024,000	\$ -
Net OPEB obligation (Note 9)	147,950	98,470	151,604	94,816	-
Compensated absences	<u>239,582</u>	<u>227,584</u>	<u>239,582</u>	<u>227,584</u>	<u>-</u>
Totals	<u>\$ 22,884,532</u>	<u>\$ 326,054</u>	<u>\$ 5,864,186</u>	<u>\$ 17,346,400</u>	<u>\$ -</u>
<u>Business-Type Activities</u>					
Net pension liability (Notes 7 and 8)	<u>\$ 1,640,000</u>	<u>\$ -</u>	<u>\$ 523,000</u>	<u>\$ 1,117,000</u>	<u>\$ -</u>

Payments on the Net OPEB obligation, net pension liability, and compensated absences are made from various County Office funds in which the related employee worked.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - NET POSITION / FUND BALANCES

The restricted net position consists of the following at June 30, 2015:

	<u>Governmental Activities</u>
Restricted for:	
Unspent categorical revenues	\$ 6,715,087
Special revenue programs	1,822,940
Capital projects	17,536,372
Self Insurance	<u>826,968</u>
	<u><u>\$ 26,901,367</u></u>

Fund balances, by category, at June 30, 2015 consisted of the following:

	<u>County School Service Fund</u>	<u>Special Education Pass- Through Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 6,499	\$ -	\$ -	\$ -	\$ 6,499
Prepaid expenditures	<u>87,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,007</u>
Subtotal nonspendable	<u>93,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,506</u>
Restricted:					
Unspent categorical revenues	6,715,087	-	-	-	6,715,087
Special Education programs	-	168,076	-	-	168,076
Deferred maintenance	-	-	-	1,822,940	1,822,940
Marin Schools Rule Foundation	-	-	-	218,414	218,414
Capital projects	<u>-</u>	<u>-</u>	<u>17,536,132</u>	<u>240</u>	<u>17,536,372</u>
Subtotal restricted	<u>6,715,087</u>	<u>168,076</u>	<u>17,536,132</u>	<u>2,041,594</u>	<u>26,460,889</u>
Committed:					
Stabilization arrangements	<u>12,952,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,952,486</u>
Unassigned:					
Designated for economic uncertainty	1,691,308	-	-	-	1,691,308
Undesignated	<u>183,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,855</u>
Subtotal unassigned	<u>1,875,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,875,163</u>
Total fund balances	<u><u>\$ 21,636,242</u></u>	<u><u>\$ 168,076</u></u>	<u><u>\$ 17,536,132</u></u>	<u><u>\$ 2,041,594</u></u>	<u><u>\$ 41,382,044</u></u>

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN

General Information about the State Teachers’ Retirement Plan

Plan Description: Teaching-certified employees of the County Office are provided with pensions through the State Teachers’ Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers’ Retirement System (CalSTRS). The Teachers’ Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

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

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The County Office contributed \$655,827 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2015, the County Office reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office. The amount recognized by the County Office as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County Office were as follows:

County Office’s proportionate share of the net pension liability	\$ 10,183,000
State’s proportionate share of the net pension liability associated with the County Office	<u>6,149,000</u>
Total	<u><u>\$ 16,332,000</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The County Office’s proportion of the net pension liability was based on the County Office’s share of contributions to the pension plan relative to the contributions of all participating County Offices of Education and Districts and the State. At June 30, 2014, the County Office’s proportion was 0.017 percent, which was an increase of zero percent from its proportion measured as of June 30, 2013.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

For the year ended June 30, 2015, the County Office recognized pension expense of \$1,028,293 and revenue of \$465,374 for support provided by the State. At June 30, 2015, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	2,507,000
Changes in proportion and differences between County Office contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>655,827</u>	<u>-</u>
Total	<u>\$ 655,827</u>	<u>\$ 2,507,000</u>

\$655,827 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2016	\$ 626,750
2017	\$ 626,750
2018	\$ 626,750
2019	\$ 626,750

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP 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	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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 as an input to the process. Based on the model from CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally 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. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County Office’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County Office’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
County Office’s proportionate share of the net pension liability	<u>\$ 15,872,000</u>	<u>\$ 10,183,000</u>	<u>\$ 5,439,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college County Offices, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The County Office contributed \$915,770 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the County Office reported a liability of \$7,958,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The County Office’s proportion of the net pension liability was based on the County Office’s share of contributions to the pension plan relative to the projected contributions of all participating Districts and County Offices of Education. At June 30, 2014, the County Office’s proportion was 0.070 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County Office recognized pension expense of \$491,696. 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
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	2,735,000
Changes in proportion and differences between County Office contributions and proportionate share of contributions	-	645,750
Contributions made subsequent to measurement date	<u>915,770</u>	<u>-</u>
Total	<u>\$ 915,770</u>	<u>\$ 3,380,750</u>

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

\$915,770 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2016	\$ 899,000
2017	\$ 899,000
2018	\$ 899,000
2019	\$ 683,750

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the 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	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the County Office.

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. 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 one quarter of one percent.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the County Office’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County Office’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
County Office’s proportionate share of the net pension liability	<u>\$ 13,921,000</u>	<u>\$ 7,958,000</u>	<u>\$ 2,901,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 7 and 8, the County Office provides certain post-retirement medical benefits to employees aged 55 or older who retire from the County Office with ten years of full-time service, and are also eligible for pension benefits from CalSTRS or CalPERS. Retirees generally receive 100% of the highest available plan at the composite rate at the time of retirement, up to a specified cap depending on length of service and type of employee. Certificated employees receive a maximum of \$100 per month for 10-14 years of service, or \$200 per month for more than 15 years of service. Classified employees receive \$51.06 per month for 10-14 years of service, or \$102.12 per month for more than 15 years of service. Administrative employees may receive contributions up to the active cap. The County Office pays the benefits until the retiree reaches age 65, or becomes Medicare eligible. Expenditures for post-retirement health care benefits are recognized as the premiums are paid. Currently, 9 retirees are receiving these benefits.

The County Office’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County Office’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County Office’s net OPEB obligation:

Annual required contribution	\$ 102,716
Interest on net OPEB obligation	7,028
Adjustment to annual required contribution	<u>(11,274)</u>
Annual OPEB cost (expense)	98,470
Contributions made	<u>(151,604)</u>
Decrease in net OPEB obligation	(53,134)
Net OPEB obligation - beginning of year	<u>147,950</u>
Net OPEB obligation - end of year	<u>\$ 94,816</u>

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The County Office's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 103,417	130.2%%	\$ 189,134
June 30, 2014	\$ 97,288	142.3%	\$ 147,950
June 30, 2015	\$ 98,470	154%	\$ 94,816

As of November 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,068,556, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,068,556. The covered payroll (annual payroll of active employees covered by the Plan) was \$15,938,542, and the ratio of the UAAL to the covered payroll was 6.7% percent. The OPEB plan is currently operated as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the November 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75% percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, an inflation of 2.75% percent, and an annual healthcare cost trend rate of 4.0% percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 is 28 years.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 - JOINT POWERS AGREEMENT

The County Office is a member of Marin Schools Insurance Authority (MSIA), which is a common risk management and insurance program providing workers' compensation and property and liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. At June 30, 2015, there were no significant reductions in insurance coverage from the coverage provided in the prior year.

The following is a summary of financial information for MSIA as of June 30, 2015:

Total assets	\$	26,777,095
Total liabilities	\$	22,881,562
Net position	\$	3,895,533
Total revenues	\$	12,224,203
Total expenses	\$	15,658,189
Change in net position	\$	(3,433,986)

The relationship between Marin County Office of Education and the Joint Powers Authority is such that it is not a component unit of the County Office for financial reporting purposes.

NOTE 11 - CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COUNTY OFFICE OF EDUCATION
COUNTY SCHOOL SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 2,166,453	\$ 2,166,453	\$ 2,188,939	\$ 22,486
Local sources	<u>14,337,693</u>	<u>14,340,681</u>	<u>14,532,713</u>	<u>192,032</u>
Total LCFF	<u>16,504,146</u>	<u>16,507,134</u>	<u>16,721,652</u>	<u>214,518</u>
Federal sources	2,461,385	2,579,559	2,388,683	(190,876)
Other state sources	1,796,413	1,820,722	2,513,910	693,188
Other local sources	<u>9,102,438</u>	<u>9,296,410</u>	<u>9,237,030</u>	<u>(59,380)</u>
Total revenues	<u>29,864,382</u>	<u>30,203,825</u>	<u>30,861,275</u>	<u>657,450</u>
Expenditures:				
Current:				
Certificated salaries	8,344,338	8,838,756	7,743,781	1,094,975
Classified salaries	8,114,515	8,379,489	7,481,293	898,196
Employee benefits	5,700,333	5,497,129	5,058,143	438,986
Books and supplies	835,401	2,653,154	737,318	1,915,836
Contract services and operating expenditures	7,236,889	8,702,547	6,802,712	1,899,835
Capital outlay	<u>474,543</u>	<u>595,710</u>	<u>335,545</u>	<u>260,165</u>
Total expenditures	<u>30,706,019</u>	<u>34,666,785</u>	<u>28,158,792</u>	<u>6,507,993</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(841,637)</u>	<u>(4,462,960)</u>	<u>2,702,483</u>	<u>7,165,443</u>
Other financing sources (uses):				
Transfers in	450,472	450,472	421,044	(29,428)
Transfers out	<u>(16,200)</u>	<u>(16,200)</u>	<u>(29,670)</u>	<u>(13,470)</u>
Total other financing sources (uses)	<u>434,272</u>	<u>434,272</u>	<u>391,374</u>	<u>(42,898)</u>
Net change in fund balance	(407,365)	(4,028,688)	3,093,857	7,122,545
Fund balance, July 1, 2014	<u>18,542,385</u>	<u>18,542,385</u>	<u>18,542,385</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 18,135,020</u>	<u>\$ 14,513,697</u>	<u>\$ 21,636,242</u>	<u>\$ 7,122,545</u>

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SPECIAL EDUCATION PASS-THROUGH FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula:				
Local sources	\$ 14,927,936	\$ 14,927,936	\$ 15,291,456	\$ 363,520
Other local sources	<u>-</u>	<u>-</u>	<u>4,254</u>	<u>4,254</u>
Total revenues	<u>14,927,936</u>	<u>14,927,936</u>	<u>15,295,710</u>	<u>367,774</u>
Expenditures:				
Current:				
Transfers to Districts	<u>21,439,768</u>	<u>21,653,461</u>	<u>15,397,272</u>	<u>6,256,189</u>
Net change in fund balance	(6,511,832)	(6,725,525)	(101,562)	6,623,963
Fund balance, July 1, 2014	<u>269,638</u>	<u>269,638</u>	<u>269,638</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ (6,242,194)</u>	<u>\$ (6,455,887)</u>	<u>\$ 168,076</u>	<u>\$ 6,623,963</u>

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Schedule of Funding Progress			Covered Payroll	UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio		
April 1, 2008	\$ -	\$ 1,512,912	\$ 1,512,912	0%	\$ 17,216,758	8.8%
April 1, 2010	\$ -	\$ 2,097,411	\$ 2,097,411	0%	\$ 17,116,502	12.3%
November 1, 2013	\$ -	\$ 1,068,556	\$ 1,068,556	0%	\$ 15,938,542	6.7%

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
County Office's proportion of the net pension liability	0.017%
County Office's proportionate share of the net pension liability	\$ 10,183,000
State's proportionate share of the net pension liability associated with the County Office	<u>6,149,000</u>
Total net pension liability	<u>\$ 16,332,000</u>
County Office's covered-employee payroll	\$ 7,761,000
County Office's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.21%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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

All years prior to 2015 are not available.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
County Office's proportion of the net pension liability	0.070%
County Office's proportionate share of the net pension liability	\$ 7,958,000
County Office's covered-employee payroll	\$ 7,358,000
County Office's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 655,827
Contributions in relation to the contractually required contribution	<u>655,827</u>
Contribution deficiency (excess)	<u>\$ -</u>
County Office's covered-employee payroll	\$ 7,385,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 915,770
Contributions in relation to the contractually required contribution	<u>915,770</u>
Contribution deficiency (excess)	<u>\$ -</u>
County Office's covered-employee payroll	\$ 7,780,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

The Schedule of the County Office's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the County Office's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the County Office's Contributions

The Schedule of the County Office's Contributions is presented to illustrate the County Office's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

MARIN COUNTY OFFICE OF EDUCATION
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2015

	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Foundation Special Revenue Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
ASSETS					
Cash in County Treasury	\$ 14,992	\$ 1,822,940	\$ 225,101	\$ 240	\$ 2,063,273
Receivables	<u>67,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,701</u>
Total assets	<u>\$ 82,693</u>	<u>\$ 1,822,940</u>	<u>\$ 225,101</u>	<u>\$ 240</u>	<u>\$ 2,130,974</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,150	\$ -	\$ 6,687	\$ -	\$ 18,837
Due to other funds	70,056	-	-	-	70,056
Unearned revenue	<u>487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>487</u>
Total liabilities	82,693	-	6,687	-	89,380
Fund balances - restricted	<u>-</u>	<u>1,822,940</u>	<u>218,414</u>	<u>240</u>	<u>2,041,594</u>
Total liabilities and fund balances	<u>\$ 82,693</u>	<u>\$ 1,822,940</u>	<u>\$ 225,101</u>	<u>\$ 240</u>	<u>\$ 2,130,974</u>

MARIN COUNTY OFFICE OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2015

	Child Development Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	County School Facility Fund	Total
Revenues:					
Federal sources	\$ 117,771	\$ -	\$ -	\$ -	\$ 117,771
Other state revenues	1,241	-	-	-	1,241
Other local sources	<u>-</u>	<u>3,333</u>	<u>402,294</u>	<u>-</u>	<u>405,627</u>
Total revenues	<u>119,012</u>	<u>3,333</u>	<u>402,294</u>	<u>-</u>	<u>524,639</u>
Expenditures:					
Current:					
Classified salaries	71,410	-	11,040	-	82,450
Employee benefits	12,970	-	1,162	-	14,132
Books and supplies	1,665	-	363	-	2,028
Contract services and operating expenditures	<u>24,243</u>	<u>-</u>	<u>549,412</u>	<u>-</u>	<u>573,655</u>
Total expenditures	<u>110,288</u>	<u>-</u>	<u>561,977</u>	<u>-</u>	<u>672,265</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,724</u>	<u>3,333</u>	<u>(159,683)</u>	<u>-</u>	<u>(147,626)</u>
Other financing uses:					
Transfers out	<u>(8,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,724)</u>
Net change in fund balances	-	3,333	(159,683)	-	(156,350)
Fund balances, July 1, 2014	<u>-</u>	<u>1,819,607</u>	<u>378,097</u>	<u>240</u>	<u>2,197,944</u>
Fund balances, June 30, 2015	<u>\$ -</u>	<u>\$ 1,822,940</u>	<u>\$ 218,414</u>	<u>\$ 240</u>	<u>\$ 2,041,594</u>

MARIN COUNTY OFFICE OF EDUCATION
ORGANIZATION
June 30, 2015

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

The County Office supervises the activities and financial affairs of each school district to ensure that requirements of the California Education Code are met. It also provides administrative and budgetary assistance, furnishes educational specialists, facilitates the development or improvement of instructional programs, coordinates interdistrict activities, and performs other services, as needed, to improve the quality of education throughout the County.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Clairette C. Wilson	President	December 2015
Curtis F. Robinson, M.D.	Vice President	December 2017
Patricia A. Warren	Member	December 2015
Marilyn L. Nemzer	Member	December 2017
Patricia D. Garbarino	Member	December 2015
David M. Hellman	Member	December 2017

ADMINISTRATION

Mary Jane Burke
County Superintendent of Schools

Terena Mares
Deputy Superintendent, Business

Ken Lippi
Assistant Superintendent, CTE, WCR, M&O

Raquel Rose
Assistant Superintendent, Educational Services

MARIN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2015

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary:</u>		
Juvenile Halls, Homes and Camps	1	1
Community Schools Pupils	2	2
Total Elementary	3	3
<u>Secondary:</u>		
Juvenile Halls, Homes and Camps	14	15
Community Schools Pupils	19	21
Total Secondary	33	36
<u>Adult Education:</u>		
Adults in correctional facilities	29	31
<u>Phoenix Academy Charter School:</u>		
Community Schools Pupils - probation referred	3	3
<u>District Funded County Programs:</u>		
County Community Schools		
Ninth - Twelfth	11	10
Total Community Schools	11	10
Special Education		
Transition Kindergarten - Third	39	42
Fourth - Sixth	42	44
Seventh - Eighth	26	27
Ninth - Twelfth	103	106
Total Special Education	210	219
<u>Charter Funded County Programs:</u>		
County Community Schools		
Ninth - Twelfth	1	1
Total Office of Education	290	303

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2015

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U. S Department of Education - Passed through California Department of Education</u>			
	NCLB Title I Programs:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Incomed and Neglected	14329	\$ 241,622
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Programs	14357	<u>79,444</u>
	Subtotal NCLB Title I Programs		<u>321,066</u>
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance	13379	496,853
84.173	Special Education: IDEA Preschool Grants	13430	258,181
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611	13682	672,718
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13431	4,609
84.027A	Special Education: IDEA Mental Health Allocation Plan, Part B	14468	2,002
84.027	Special Education: Alternative Dispute Resolution	13007	16,191
84.027	AB 114 CANS Demonstration Project and Effective Related Service Delivery Systems	01110	<u>72,000</u>
	Subtotal Special Education Cluster		<u>1,522,554</u>
	Adult Education Programs:		
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132	14893	4,921
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	<u>6,000</u>
	Subtotal Adult Education Programs		<u>10,921</u>

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2015

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U. S Department of Education - Passed through California</u>			
<u>Department of Education (Continued)</u>			
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	\$ 69,660
84.126	Workability II, Transitions Partnership Program	10006	79,100
84.181	Special Education: IDEA Early Intervention Grants	23761	252,596
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	68,843
84.366	NCLB: Title II, Part B, California Mathematics and Science Partnerships	14512	2,283
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	<u>4,932</u>
	Total U.S. Department of Education		<u>2,331,955</u>
<u>U.S. Department of Agriculture- Passed through California</u>			
<u>Department of Education</u>			
10.555	Child Nutrition: School Programs	13524	<u>29,670</u>
<u>U.S. Department of Health and Human Services- Passed through</u>			
<u>California Department of Education</u>			
	Child Development Programs:		
93.575	Child Development: Quality Improvement - Child Care Staff Retention Program	14988	64,654
93.575	Child Development: Federal Local Planning Councils	13946	<u>53,117</u>
	Subtotal Child Development Programs		<u>117,771</u>
93.778	Department of Health Care Services: Medi-Cal Billing Option	10013	<u>171,014</u>
	Total U.S. Department of Health and Human Services		<u>288,785</u>
	Total Federal Programs		<u>\$ 2,650,410</u>

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

	Other Enterprise <u>Fund</u>
Unaudited Actual Financial Statements ending Fund Balance June 30, 2015	\$ 4,138,550
Adjustments:	
Cumulative effect of the implementation of GASB 68.	(1,521,838)
Current year pension expense.	<u>49,663</u>
Audited Ending Fund Balance, June 30, 2015	<u>\$ 2,666,375</u>

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

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For the Year Ended June 30, 2015
 (UNAUDITED)

	(Budgeted) 2016	2015	2014	2013
<u>County School Service Fund</u>				
Revenues and other financing sources	\$ 31,079,533	\$ 31,282,319	\$ 31,706,343	\$ 32,032,248
Expenditures	31,390,464	28,158,792	32,786,300	31,043,915
Other uses and transfers out	<u>411,191</u>	<u>29,670</u>	<u>27,162</u>	<u>508,477</u>
Total outgo	<u>31,801,655</u>	<u>28,188,462</u>	<u>32,813,462</u>	<u>31,552,392</u>
Change in fund balance	<u>\$ (722,122)</u>	<u>\$ 3,093,857</u>	<u>\$ (1,107,119)</u>	<u>\$ 479,856</u>
Ending fund balance	<u>\$ 20,914,120</u>	<u>\$ 21,636,242</u>	<u>\$ 18,542,385</u>	<u>\$ 19,649,504</u>
Available reserves	<u>\$ 1,920,995</u>	<u>\$ 1,875,163</u>	<u>\$ 4,124,733</u>	<u>\$ 1,760,933</u>
Designated for economic uncertainties	<u>\$ 1,920,995</u>	<u>\$ 1,691,308</u>	<u>\$ 3,941,214</u>	<u>\$ 1,577,620</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ 183,855</u>	<u>\$ 183,519</u>	<u>\$ 183,313</u>
Available reserves as a percentage of total outgo	<u>6.0%</u>	<u>6.0%</u>	<u>12.6%</u>	<u>5.6%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 18,463,400</u>	<u>\$ 18,463,400</u>	<u>\$ 24,524,532</u>	<u>\$ 426,650</u>
Average daily attendance at annual	<u>\$ 220</u>	<u>\$ 290</u>	<u>\$ 337</u>	<u>\$ 343</u>

The County School Service Fund fund balance has increased by \$2,466,594 over the past three years. The fiscal year 2014-15 budget projects a decrease of \$722,122. For a County Office this size, the State of California recommends available reserves of at least 3 percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo). The County Office met this requirement at June 30, 2015.

The County Office has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2015-16 fiscal year.

Total long-term liabilities have increased by \$18,036,750 over the past two years, primarily due to the implementation of GASB Statement Nos. 68 and 71.

Average daily attendance has decreased by 53 over the past two years. A decrease of 70 ADA is anticipated during the 2015-16 fiscal year.

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

Charter Schools Chartered by County Office

Phoenix Academy Charter

Included in County Office
Financial Statements, or
Separate Report

Included in County Office's financial
statements in the County School
Service Fund.

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the County Office. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and county offices. This schedule provides information regarding the attendance of students at various grade levels and in different programs. It also includes attendance for regional occupational centers and programs.

B - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2015.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 2,506,454
Add: Medi-Cal Billing funds spent from prior year awards	93.778	<u>143,956</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 2,650,410</u>

C - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

D - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides information on the County Office's financial condition over the past three years and its anticipated condition for the 2015-2016 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

E - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of County Offices of Education which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2015, the County Office did not adopt this program.

(Continued)

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

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

Report on Compliance with State Laws and Regulations

We have audited Marin County Office of Education's compliance with the types of compliance requirements described in the State of California's *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2015.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time:	
School Districts	No, see below
County Offices of Education	Yes
Instructional Materials:	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive Program	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Local Control Funding Formula Certification	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General requirements	No, see below
After school	No, see below
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

We did not perform any procedures related to Kindergarten Continuation because the County did not have any students retained for the current year.

We did not perform any procedures related to Continuation Education because the County does not offer this program.

The County Office is not a School District; therefore, we did not perform any procedures related to Instructional Time for School Districts.

We did not perform any procedures related to Ratio of Administrative Employees to Teachers because the procedure is only applicable to school districts.

We did not perform any procedures related to Classroom Teacher Salaries because the procedure is only applicable to school districts.

We did not perform any procedures related to Early Retirement Incentive Program because the County Office did not offer this program in the current year.

We did not perform any procedures related to Middle or Early College High Schools because the County Office does not operate any Middle or Early College High Schools.

The County Office is not a School District; therefore, we did not perform any procedures related to K-3 Grade Span Adjustment.

We did not perform any procedures related to California Clean Energy Jobs Act because the County Office did not receive any funding in the current year.

We did not perform any procedures related to After School Education and Safety Programs as the County Office did not offer this program.

We did not perform any procedures related to Transportation Maintenance of Effort as the County Office of Education did not expend any transportation funds as specified by Education Code 2575(k) or 42238.03(a)(6)(b).

We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, because the ADA generated by the program was not material.

We did not perform any procedures related to Mode of Instruction for Charter Schools, because the ADA generated by the program was not material.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study, for Charter Schools and Determination of Funding for Nonclassroom-Based Instruction for the Charter School because the Charter School only offered classroom-based instructions.

We did not perform any procedures related to Annual Instructional Minutes - Classroom-Based for Charter Schools, because the ADA generated by the program was not material.

We did not perform any procedures related to Charter School Facility Grant Program, as the Charter School did not participate in the program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Marin County Office of Education. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Marin County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Marin County Office of Education's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2015-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Marin County Office of Education did not comply with requirements regarding Attendance. Compliance with such requirements is necessary, in our opinion, for Marin County Office of Education to comply with state laws and regulations applicable to Attendance.

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Marin County Office of Education complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Marin County Office of Education had not complied with the state laws and regulations.

Other Matter

Marin County Office of Education's response to the noncompliance identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Marin County Office of Education's response was not subjected to the auditing procedures applied in our audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 10, 2015

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

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

We have audited, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Marin 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 Marin County Office of Education's basic financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marin 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 Marin County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Marin 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.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 10, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited Marin County Office of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marin County Office of Education's major federal programs for the year ended June 30, 2015. Marin 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 Marin 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 Marin County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Marin County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

(Continued)

Report on Internal Control Over Compliance

Management of Marin 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 Marin 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 Marin County Office of Education's internal control over compliance.

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

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

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 10, 2015

FINDINGS AND RECOMMENDATIONS

MARIN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ 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 Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster

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

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

STATE AWARDS

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

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

.

(Continued)

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-001 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 - Each LEA must develop and maintain accurate and adequate records to support attendance reported to the State.

Condition

At Marin County Community School, two students were improperly included for a total misstatement of two days.

Effect

The effect of this finding is an extrapolated overstatement of .49 ADA.

Cause

The overstatement was the result of clerical errors in accounting for attendance

Fiscal Impact

As the error is less than .50 ADA, there is no fiscal impact.

Recommendation

The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.

Corrective Action Plan

The District will revise and resubmit the Period Two Report of Attendance.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MARIN COUNTY OFFICE OF EDUCATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	County Office Explanation <u>If Not Implemented</u>
No matters were reported.		