

MARIN COUNTY OFFICE OF EDUCATION

AUDIT REPORT
JUNE 30, 2016

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**MARIN COUNTY OFFICE OF EDUCATION
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FOR THE YEAR ENDED JUNE 30, 2016**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Marin County Office of Education
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marin County Office of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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.

Christy White, CPA

Michael Ash, CPA

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State Board of Accountancy*

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marin County Office of Education, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of County Office of Education contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in 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 the Marin County Office of Education's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 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.

Christy White Associates

San Diego, California
December 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

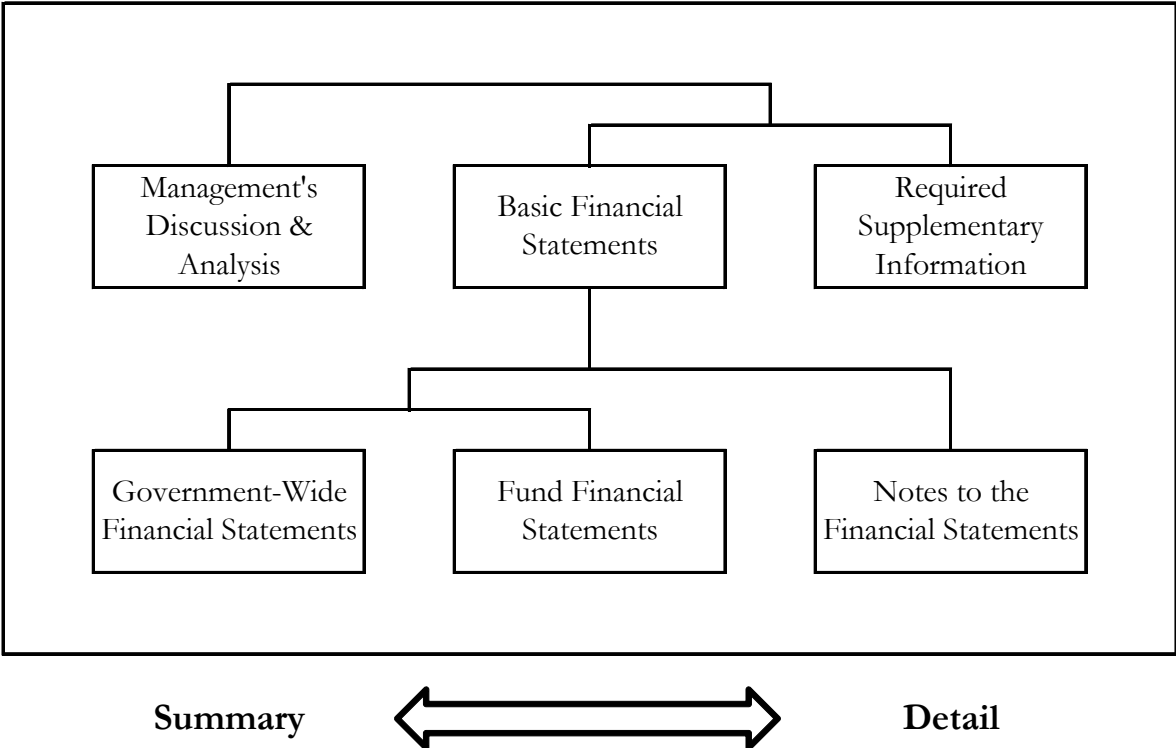
Our discussion and analysis of Marin County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the County Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ The County Office of Education's combined total net position was \$39,274,235 at June 30, 2016. This was an increase of \$4,125,770 from the prior year.
- ▶ Overall revenues were \$59,768,343 which exceeded expenses of \$54,642,573 before transfers..

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
FOR THE YEAR ENDED JUNE 30, 2016

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the County Office of Education. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of County Office of Education operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office of Education's programs.

 - ▶ **Proprietary Funds** report services for which the County Office of Education charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

 - ▶ **Fiduciary Funds** report balances for which the County Office of Education is a custodian or *trustee* of the funds, such as a Payroll Clearing Fund.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the County Office of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government'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 or paid.

The two government-wide statements report the County Office of Education's net position and how it has changed. Net position is one way to measure the County Office of Education's financial health. Over time, increases or decreases in the County Office of Education's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the County Office of Education include governmental activities. All of the County Office of Education's basic services are included here, such as regular education, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The County Office of Education's combined net position was \$39,274,235 at June 30, 2016, as reflected in table below. Of this amount, \$268,795 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
ASSETS						
Current and other assets	\$ 55,753,245	\$ 49,323,220	\$ 6,430,025	\$ 1,343,905	\$ 2,714,870	\$ (1,370,965)
Capital assets	11,043,345	11,580,456	(537,111)	3,178,738	1,582,326	1,596,412
Total Assets	66,796,590	60,903,676	5,892,914	4,522,643	4,297,196	225,447
DEFERRED OUTFLOWS OF RESOURCES	2,219,114	1,452,772	766,342	240,202	118,825	121,377
LIABILITIES						
Current liabilities	9,396,970	7,114,208	2,282,762	214,532	158,646	55,886
Long-term liabilities	20,271,415	17,346,400	2,925,015	1,302,103	1,117,000	185,103
Total Liabilities	29,668,385	24,460,608	5,207,777	1,516,635	1,275,646	240,989
DEFERRED INFLOWS OF RESOURCES	3,003,318	5,413,750	(2,410,432)	315,976	474,000	(158,024)
NET POSITION						
Net investment in capital assets	11,043,345	11,580,456	(537,111)	3,178,738	3,256,547	(77,809)
Restricted	24,783,357	26,901,367	(2,118,010)	-	-	-
Unrestricted	517,299	(5,999,733)	6,517,032	(248,504)	(590,172)	341,668
Total Net Position	\$ 36,344,001	\$ 32,482,090	\$ 3,861,911	\$ 2,930,234	\$ 2,666,375	\$ 263,859

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the County Office of Education as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 894,180	\$ 749,425	\$ 144,755	\$ -	\$ -	\$ -
Operating grants and contributions	19,148,464	17,948,323	1,200,141	-	-	-
General revenues						
Property taxes	30,750,106	29,852,164	897,942	-	-	-
Unrestricted federal and state aid	3,015,876	2,452,720	563,156	-	-	-
Other	2,812,181	2,861,064	(48,883)	3,147,536	2,849,062	298,474
Total Revenues	56,620,807	53,863,696	2,757,111	3,147,536	2,849,062	298,474
EXPENSES						
Instruction	13,143,511	12,927,027	216,484	-	-	-
Instruction-related services	8,467,051	7,364,106	1,102,945	-	-	-
Pupil services	911,607	1,011,266	(99,659)	-	-	-
General administration	6,271,938	5,747,481	524,457	-	-	-
Plant services	1,036,712	1,186,338	(149,626)	-	-	-
Ancillary and community services	1,164,653	794,115	370,538	-	-	-
Other Outgo	22,045,353	21,977,761	67,592	-	-	-
Enterprise activities	77,766	-	77,766	2,523,982	2,514,519	9,463
Total Expenses	53,118,591	51,008,094	2,110,497	2,523,982	2,514,519	9,463
Transfers & special items	359,695	-	359,695	(360,000)	(383,000)	23,000
Change in net position	3,861,911	2,855,602	1,006,309	263,554	(48,457)	312,011
Net Position - Beginning*	32,482,090	29,626,488	2,855,602	2,666,375	2,331,832	334,543
Net Position - Ending	\$ 36,344,001	\$ 32,482,090	\$ 3,861,911	\$ 2,930,234	\$ 2,283,375	\$ 646,554

* Beginning Net Position was restated for the 2015 year only

The cost of all our governmental activities this year was \$53,118,591 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$30,750,106; the remaining cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below we have presented the net cost of each of the County Office of Education's functions. Net cost shows the total cost less operating and capital grants and contributions, and for revenues received where a charge is made for services provided. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2016	2015
Instruction	\$ 9,487,182	\$ 9,404,590
Instruction-related services	3,834,435	3,530,884
Pupil services	518,597	573,081
General administration	5,252,135	4,885,943
Plant services	952,152	1,114,640
Ancillary and community services	707,297	436,193
Transfers to other agencies	12,254,673	12,365,015
Enterprise activities	69,476	-
Total Expenses	\$ 33,075,947	\$ 32,310,346

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION'S FUNDS

The financial performance of the County Office of Education as a whole is reflected in its governmental funds as well. As the County Office of Education completed this year, its governmental funds reported a combined fund balance of \$45,494,431, which is greater than last year's ending fund balance of \$41,382,044. The County Office of Education's County School Service Fund had \$3,593,164 more in operating revenues than expenditures for the year ended June 30, 2016. The County Office of Education's Special Education Pass-Through Fund had \$1,730 more in operating revenues than expenditures for the year ended June 30, 2016. The County Office of Education's Special Reserve Fund for Capital Outlay Projects Fund had \$37,594 more in operating revenues than expenditures for the year ended June 30, 2016. The County Office of Education's Child Development Fund had \$29,756 more in operating revenues than expenditures for the year ended June 30, 2016. The County Office of Education's Deferred Maintenance Fund had \$3,908 more in operating revenues than expenditures for the year ended June 30, 2016. The County Office of Education's Foundation Special Revenue Fund had \$85,539 more in operating revenues than expenditures for the year ended June 30, 2016. The County Office of Education's Foundation County School Facilities Fund had \$1 more in operating revenues than expenditures for the year ended June 30, 2016.

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

CURRENT YEAR BUDGET 2015-16

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval when the interim reports are available and at year end to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the County Office of Education's financial projections and current budget based on State and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the County Office of Education had invested a combined total of \$14,222,083 in capital assets, net of accumulated depreciation.

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
CAPITAL ASSETS						
Land	\$ 400,000	\$ 400,000	\$ -	\$ 1,674,221	\$ 1,674,221	\$ -
Land improvements	9,847	-	9,847	3,832	-	3,832
Buildings & improvements	16,149,028	16,159,260	(10,232)	3,030,694	3,030,694	-
Furniture & equipment	2,643,209	2,618,978	24,231	288,332	274,123	14,209
Accumulated depreciation	(8,158,739)	(7,597,782)	(560,957)	(1,818,341)	(1,722,491)	(95,850)
Total Capital Assets	\$ 11,043,345	\$ 11,580,456	\$ (537,111)	\$ 3,178,738	\$ 3,256,547	\$ (77,809)

Long-Term Debt

At year-end, the County Office of Education had \$21,573,518 in long-term debt, an increase of 17% from last year – as shown in table below. (More detailed information about the County Office of Education's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities			Business-Type Activities		
	2016	2015	Net Change	2016	2015	Net Change
LONG-TERM LIABILITIES						
Compensated absences	\$ 256,788	\$ 227,584	\$ 29,204	\$ -	\$ -	\$ -
Net OPEB obligation	52,983	94,816	(41,833)	-	-	-
Net pension liability	19,961,644	17,024,000	2,937,644	1,302,103	1,117,000	185,103
Total Long-term Liabilities	\$ 20,271,415	\$ 17,346,400	\$ 2,925,015	\$ 1,302,103	\$ 1,117,000	\$ 185,103

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the County Office of Education was aware of several circumstances that could affect its future financial health.

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

The County Office of Education participates in state employee pensions plans, PERS and STRS, and both are underfunded. The County Office of Education's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the County Office of Education. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

All of these factors were considered in preparing the County Office of Education's budget for the 2016-17 fiscal year.

CONTACTING THE COUNTY OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

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

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 43,396,683	\$ 1,370,900	\$ 44,767,583
Accounts receivable	11,857,643	315,226	12,172,869
Internal balances	359,695	(359,695)	-
Inventory	-	16,550	16,550
Prepaid expenses	139,224	924	140,148
Capital assets, not depreciated	400,000	1,674,221	2,074,221
Capital assets, net of accumulated depreciation	10,643,345	1,504,517	12,147,862
Total Assets	66,796,590	4,522,643	71,319,233
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,219,114	240,202	2,459,316
Total Deferred Outflows of Resources	2,219,114	240,202	2,459,316
LIABILITIES			
Accrued liabilities	9,221,822	126,160	9,347,982
Unearned revenue	175,148	88,372	263,520
Long-term liabilities, non-current portion	20,271,415	1,302,103	21,573,518
Total Liabilities	29,668,385	1,516,635	31,185,020
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	3,003,318	315,976	3,319,294
Total Deferred Inflows of Resources	3,003,318	315,976	3,319,294
NET POSITION			
Net investment in capital assets	11,043,345	3,178,738	14,222,083
Restricted:			
Capital projects	17,573,967	-	17,573,967
Educational programs	7,209,390	-	7,209,390
Unrestricted	517,299	(248,504)	268,795
Total Net Position	\$ 36,344,001	\$ 2,930,234	\$ 39,274,235

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

**MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 13,143,511	\$ 46,476	\$ 3,609,853	\$ (9,487,182)		
Instruction-related services						
Instructional supervision and administration	8,455,981	636,971	3,985,293	(3,833,717)		
Instructional library, media, and technology	11,070	3,110	7,242	(718)		
Pupil services						
All other pupil services	911,607	2,102	390,908	(518,597)		
General administration						
Centralized data processing	1,344,775	35,199	86,354	(1,223,222)		
All other general administration	4,927,163	101,450	796,800	(4,028,913)		
Plant services	1,036,712	2,324	82,236	(952,152)		
Ancillary services	381,656	29,622	306,912	(45,122)		
Community services	782,997	36,926	83,896	(662,175)		
Enterprise activities	77,766	-	8,290	(69,476)		
Other Outgo	22,045,353	-	9,790,680	(12,254,673)		
Total Governmental Activities	\$ 53,118,591	\$ 894,180	\$ 19,148,464	(33,075,947)		
BUSINESS-TYPE ACTIVITIES						
Enterprise activities	2,523,982	-	-		(2,523,982)	
Total Business-Type Activities	2,523,982	-	-		(2,523,982)	
Total County Office of Education	\$ 55,642,573	\$ 894,180	\$ 19,148,464			\$ (35,599,929)
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes				30,718,173	-	30,718,173
Property taxes, levied for other specific purposes				31,933	-	31,933
Federal and state aid not restricted for specific purposes				3,015,876	-	3,015,876
Interest and investment earnings				97,014	-	97,014
Interagency revenues				36,853	-	36,853
Miscellaneous				2,678,314	3,147,536	5,825,850
Subtotal, General Revenue				36,578,163	3,147,536	39,725,699
Change in net position before transfers & special items						
Internal transfers				359,695	(359,695)	-
Total Transfers & Special Items				359,695	(359,695)	-
CHANGE IN NET POSITION						
Net Position - Beginning				32,482,090	2,666,375	35,148,465
Net Position - Ending				\$ 36,344,001	\$ 2,930,234	\$ 39,274,235

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

**MARIN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	County School Service Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 21,791,879	\$ 1,084,073	\$ 17,573,726	\$ 2,159,633	\$ 42,609,311
Accounts receivable	6,905,460	4,784,228	-	167,292	11,856,980
Due from other funds	1,148,886	1,651,604	-	20,000	2,820,490
Prepaid expenditures	139,224	-	-	-	139,224
Total Assets	\$ 29,985,449	\$ 7,519,905	\$ 17,573,726	\$ 2,346,925	\$ 57,426,005
LIABILITIES					
Accrued liabilities	\$ 2,472,466	\$ 6,617,189	\$ -	\$ 114,532	\$ 9,204,187
Due to other funds	1,788,512	663,863	-	99,864	2,552,239
Unearned revenue	105,614	69,047	-	487	175,148
Total Liabilities	4,366,592	7,350,099	-	214,883	11,931,574
FUND BALANCES					
Nonspendable	145,723	-	-	-	145,723
Restricted	6,734,631	169,806	17,573,726	305,194	24,783,357
Committed	16,754,795	-	-	1,826,848	18,581,643
Unassigned	1,799,459	-	-	-	1,799,459
Total Fund Balances	25,618,857	169,806	17,573,726	2,132,042	45,494,431
Total Liabilities and Fund Balances	\$ 29,985,449	\$ 7,519,905	\$ 17,573,726	\$ 2,346,925	\$ 57,426,005

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

**MARIN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds \$ 45,494,431

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

Capital assets:

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

Capital assets	\$ 19,202,084	
Accumulated depreciation	<u>(8,158,739)</u>	11,043,345

Long-term liabilities:

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

Compensated absences	\$ 256,788	
Net OPEB obligation	52,983	
Net pension liability	<u>19,961,644</u>	(20,271,415)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 2,219,114	
Deferred inflows of resources related to pensions	<u>(3,003,318)</u>	(784,204)

Internal service funds:

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

861,844

Total Net Position - Governmental Activities \$ 36,344,001

**MARIN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	County School Service Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 17,415,992	\$ 15,490,074	\$ -	\$ -	\$ 32,906,066
Federal sources	2,812,060	5,287,491	-	118,321	8,217,872
Other state sources	3,103,538	1,267,788	-	271,414	4,642,740
Other local sources	10,227,125	1,730	37,594	743,700	11,010,149
Total Revenues	33,558,715	22,047,083	37,594	1,133,435	56,776,827
EXPENDITURES					
Current					
Instruction	12,836,943	-	-	-	12,836,943
Instruction-related services					
Instructional supervision and administration	8,314,184	-	-	250,424	8,564,608
Instructional library, media, and technology	11,203	-	-	-	11,203
Pupil services					
All other pupil services	860,164	-	-	109,555	969,719
General administration					
Centralized data processing	1,372,207	-	-	-	1,372,207
All other general administration	4,978,002	-	-	-	4,978,002
Plant services	1,042,396	-	-	-	1,042,396
Facilities acquisition and maintenance	22,215	-	-	-	22,215
Ancillary services	389,276	-	-	-	389,276
Community services	130,641	-	-	653,252	783,893
Enterprise activities	8,320	-	-	-	8,320
Transfers to other agencies	-	22,045,353	-	-	22,045,353
Total Expenditures	29,965,551	22,045,353	-	1,013,231	53,024,135
Excess (Deficiency) of Revenues					
Over Expenditures	3,593,164	1,730	37,594	120,204	3,752,692
Other Financing Sources (Uses)					
Transfers in	414,915	-	-	-	414,915
Transfers out	(25,464)	-	-	(29,756)	(55,220)
Net Financing Sources (Uses)	389,451	-	-	(29,756)	359,695
NET CHANGE IN FUND BALANCE					
	3,982,615	1,730	37,594	90,448	4,112,387
Fund Balance - Beginning	21,636,242	168,076	17,536,132	2,041,594	41,382,044
Fund Balance - Ending	\$ 25,618,857	\$ 169,806	\$ 17,573,726	\$ 2,132,042	\$ 45,494,431

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

**MARIN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Governmental Funds \$ 4,112,387

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

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

Expenditures for capital outlay:	\$ 53,509	
Depreciation expense:	(590,620)	(537,111)

Compensated absences:

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

(29,204)

Postemployment benefits other than pensions (OPEB):

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

41,833

Pensions:

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

239,130

Internal Service Funds:

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

34,876

Change in Net Position of Governmental Activities	\$	3,861,911
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**MARIN COUNTY OFFICE OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016**

	Business-Type Activities	Governmental Activities
	Other Enterprise Fund	Internal Service Fund
ASSETS		
Current assets		
Cash and investments	\$ 1,370,900	\$ 787,372
Accounts receivable	315,226	663
Due from other funds	25,464	91,444
Stores inventory	16,550	-
Prepaid expenses	924	-
Total current assets	<u>1,729,064</u>	<u>879,479</u>
Non-current assets		
Capital assets, not depreciated	1,674,221	-
Capital assets, net of accumulated depreciation	1,504,517	-
Total non-current assets	<u>3,178,738</u>	<u>-</u>
Total Assets	<u>4,907,802</u>	<u>879,479</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	240,202	-
Total Deferred Outflows of Resources	<u>240,202</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accrued liabilities	126,160	17,635
Due to other funds	385,159	-
Unearned revenue	88,372	-
Total current liabilities	<u>599,691</u>	<u>17,635</u>
Non-current liabilities		
Net pension liability	1,302,103	-
Total non-current liabilities	<u>1,302,103</u>	<u>-</u>
Total Liabilities	<u>1,901,794</u>	<u>17,635</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	315,976	-
Total Deferred Inflows of Resources	<u>315,976</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	3,178,738	-
Unrestricted	(248,504)	861,844
Total Net Position	<u>\$ 2,930,234</u>	<u>\$ 861,844</u>

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

MARIN COUNTY OFFICE OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Other Enterprise Fund</u>	<u>Internal Service Fund</u>
OPERATING REVENUE		
Charges for services	\$ 3,109,238	\$ 121,886
Other local revenues	33,374	-
Total operating revenues	<u>3,142,612</u>	<u>121,886</u>
OPERATING EXPENSE		
Salaries and benefits	1,708,541	-
Supplies and materials	409,007	-
Professional services	308,438	88,454
Depreciation	95,850	-
Total operating expenses	<u>2,521,836</u>	<u>88,454</u>
Operating income/(loss)	<u>620,776</u>	<u>33,432</u>
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	2,778	1,444
Transfers in	25,464	-
Transfers out	(385,159)	-
Total non-operating revenues/(expenses)	<u>(356,917)</u>	<u>1,444</u>
CHANGE IN NET POSITION	263,859	34,876
Net Position - Beginning	<u>2,666,375</u>	<u>826,968</u>
Net Position - Ending	<u>\$ 2,930,234</u>	<u>\$ 861,844</u>

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

**MARIN COUNTY OFFICE OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Other Enterprise Fund</u>	<u>Internal Service Fund</u>
Cash flows from operating activities		
Cash received from user charges	\$ 2,949,238	\$ 152,398
Cash payments for payroll, insurance, and operating costs	(2,370,184)	(77,393)
Net cash provided by (used for) operating activities	<u>579,054</u>	<u>75,005</u>
Cash flows from non-capital financing activities		
Interfund transfers in (out)	(359,695)	-
Net cash provided by (used for) non-capital financing activities	<u>(359,695)</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(18,041)	-
Net cash provided by (used for) in capital and related financing activities	<u>(18,041)</u>	<u>-</u>
Cash flows from investing activities		
Interest received	2,778	1,444
Net cash provided by (used for) investing activities	<u>2,778</u>	<u>1,444</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>204,096</u>	<u>76,449</u>
 CASH AND CASH EQUIVALENTS		
Beginning of year	1,166,804	710,923
End of year	<u>\$ 1,370,900</u>	<u>\$ 787,372</u>
 Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income (loss)	\$ 620,776	\$ 33,432
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	95,850	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(81,874)	41
(Increase) decrease in inventory	(299)	-
(Increase) decrease in due from other funds	10,116	30,471
(Increase) decrease in prepaid expenses	60	-
(Increase) decrease in deferred outflows of resources	(121,377)	-
Increase (decrease) in accounts payable	41,390	11,061
Increase (decrease) in due to other funds	(27,163)	-
Increase (decrease) in unearned revenue	14,496	-
Increase (decrease) in net pension liability	185,103	-
Increase (decrease) in deferred inflows of resources	(158,024)	-
Net cash provided by (used for) operating activities	<u>\$ 579,054</u>	<u>\$ 75,005</u>

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

MARIN COUNTY OFFICE OF EDUCATION
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	<u>Agency Funds</u>
	<u>Payroll Clearing</u>
	<u>Fund</u>
ASSETS	
Cash and investments	\$ 922,699
Accounts receivable	5,746
Total Assets	<u>\$ 928,445</u>
LIABILITIES	
Accrued liabilities	\$ 884,865
Due to student groups	41,710
Unearned revenue	1,870
Total Liabilities	<u>\$ 928,445</u>

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

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity**

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

The County Office of Education operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County Office of Education consists of all funds, departments and agencies that are not legally separate from the County Office of Education. For the County Office of Education, this includes general operations and student-related activities.

B. **Component Units**

Component units are legally separate organizations for which the County Office of Education is financially accountable. Component units may also include organizations that are fiscally dependent on the County Office of Education in that the County Office of Education approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the County Office of Education is not financially accountable but the nature and significance of the organization's relationship with the County Office of Education is such that exclusion would cause the County Office of Education's financial statements to be misleading or incomplete. The County Office of Education has no such component units.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the County Office of Education). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the County Office of Education's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County Office of Education.

Fund Financial Statements. The fund financial statements provide information about the County Office of Education's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the County Office of Education, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the County Office of Education in a trustee or agency capacity for others that cannot be used to support the County Office of Education's own programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Major Governmental Funds

County School Service Fund: The County School Service Fund is the main operating fund of the County Office of Education. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the County Office of Education's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A County Office of Education may have only one County School Service Fund.

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

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The County Office of Education maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the County Office of Education for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the County Office of Education's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school County Office of Education may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the County Office of Education (*Education Code Sections 17582 and 17583*).

Foundation Special Revenue Fund: This fund is used to account for resources received from gifts or bequests pursuant to *Education Code Section 41031* under which both earnings and principal may be used for purposes that support the County Office of Education's own programs and where there is a formal trust agreement with the donor.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

Proprietary Funds

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Other Enterprise Fund: This fund is used to account for the operation 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.

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the County Office of Education on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the County Office of Education. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the County Office of Education's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Payroll Clearing Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Unearned Revenue

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

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school County Office of Educations and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school County Office of Educations as collectible within one year.

Non-exchange transactions, in which the County Office of Education receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office of Education on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the County Office of Education’s policy to use restricted resources first, then unrestricted resources as they are needed.

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The County Office of Education maintains a capitalization threshold of \$5,000. The County Office of Education does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	20-40 years
Furniture and Equipment	5-20 years
Vehicles	5-10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the County Office of Education will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the County Office of Education will sometimes report 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 and so will not be recognized as an inflow of resources (revenue) until that time.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

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 defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County Office of Education is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - 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.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. 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. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance (*continued*)

Unassigned - In the General 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. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The County Office of Education applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

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

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The County Office of Education governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the County Office of Education. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The County Office of Education has implemented GASB Statement No. 72 for the year ended June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The County Office of Education has implemented GASB Statement No. 73 for the year ended June 30, 2016.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The County Office of Education has not yet determined the impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The County Office of Education has not yet determined the impact on the financial statements.

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental	Internal Service	Total	Business-Type	Fiduciary
	Funds	Funds	Governmental Activities	Activities	Funds
Investment in county treasury	\$ 42,602,812	\$ 787,372	\$ 43,390,184	\$ 1,196,020	\$ 922,762
Cash on hand and in banks	-	-	-	169,730	-
Cash in revolving fund	6,499	-	6,499	5,150	-
Total cash and investments	\$ 42,609,311	\$ 787,372	\$ 43,396,683	\$ 1,370,900	\$ 922,762

B. Policies and Practices

The County Office of Education is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The County Office of Education maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the County Office of Education's investment in the pool is based upon the County Office of Education's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (*continued*)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest County Office of Education funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office of Education manages its exposure to interest rate risk by investing in the County Treasury. The County Office of Education maintains a pooled investment with the County Treasury with a fair value of approximately \$45,569,871 and an amortized book value of \$45,508,966. The average weighted maturity for this pool is 204 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2016, the pooled investments in the County Treasury were rated AAA/V1.

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the County Office of Education's deposits may not be returned to it. The County Office of Education does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the County Office of Education's bank balance was not exposed to custodial credit risk.

G. Fair Value

The County Office of Education categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the County Office of Education's own data. The County Office of Education should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the County Office of Education are not available to other market participants.

Uncategorized - Investments in the Marin County Treasury Investment Pool are not measured using the input levels above because the County Office of Education's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The County Office of Education's fair value measurements at June 30, 2016 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 45,569,871
Total fair market value of investments	<u>\$ 45,569,871</u>

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Business- Type Activities
Federal Government						
Categorical aid	\$ 2,017,897	\$ 4,784,228	\$ 59,082	\$ -	\$ 6,861,207	\$ -
State Government						
Apportionment	3,424,937	-	-	-	3,424,937	-
Categorical aid	-	-	9,459	-	9,459	-
Lottery	25,665	-	-	-	25,665	-
Local Government						
Other local sources	1,436,961	-	98,751	663	1,536,375	315,226
Total	\$ 6,905,460	\$ 4,784,228	\$ 167,292	\$ 663	\$ 11,857,643	\$ 315,226

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Total Capital Assets not Being Depreciated	400,000	-	-	400,000
Capital assets being depreciated				
Land improvements	-	9,847	-	9,847
Buildings & improvements	16,159,260	12,368	22,600	16,149,028
Furniture & equipment	2,618,978	31,294	7,063	2,643,209
Total Capital Assets Being Depreciated	18,778,238	53,509	29,663	18,802,084
Less Accumulated Depreciation				
Buildings & improvements	5,413,963	494,929	22,600	5,886,292
Furniture & equipment	2,183,819	95,691	7,063	2,272,447
Total Accumulated Depreciation	7,597,782	590,620	29,663	8,158,739
Governmental Activities				
Capital Assets, net	\$ 11,580,456	\$ (537,111)	\$ -	\$ 11,043,345
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 1,674,221	\$ -	\$ -	\$ 1,674,221
Total Capital Assets not Being Depreciated	1,674,221	-	-	1,674,221
Capital assets being depreciated				
Land improvements	-	3,832	-	3,832
Buildings & improvements	3,030,694	-	-	3,030,694
Furniture & equipment	274,123	14,209	-	288,332
Total Capital Assets Being Depreciated	3,304,817	18,041	-	3,322,858
Less Accumulated Depreciation				
Buildings & improvements	1,500,272	86,542	-	1,586,814
Furniture & equipment	222,219	9,308	-	231,527
Total Accumulated Depreciation	1,722,491	95,850	-	1,818,341
Business-Type Activities				
Capital Assets, net	\$ 3,256,547	\$ (77,809)	\$ -	\$ 3,178,738

Depreciation expense was charged to instruction in the governmental activities.

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2016 were as follows:

Due To Other Funds	Due From Other Funds					Total
	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Internal Service Fund	Other Enterprise Fund	
County School Service Fund	\$ -	\$ 1,651,604	\$ 20,000	\$ 91,444	\$ 25,464	\$ 1,788,512
Special Education Pass-Through Fund	663,863	-	-	-	-	663,863
Non-Major Governmental Funds	99,864	-	-	-	-	99,864
Other Enterprise Fund	385,159	-	-	-	-	385,159
Total Due From Other Funds	\$ 1,148,886	\$ 1,651,604	\$ 20,000	\$ 91,444	\$ 25,464	\$ 2,937,398

Due from the General Fund to the Special Education Pass-Through Fund for apportionment distribution.	\$ 1,651,604
Due from the General Fund to the Non-Major Foundation Special Revenue Fund for indirect costs.	20,000
Due from the General Fund to the Internal Service Fund for OPEB payments.	91,444
Due from the General Fund to the Other Enterprise Fund for cash flow purposes.	25,464
Due from the Special Education Pass-Through Fund to the General Fund for apportionment distribution.	663,863
Due from the Non-Major Child Development Fund to the General Fund to cover expenses.	99,864
Due from the Other Enterprise Fund to the General Fund for cash flow purposes.	385,159
Total	\$ 2,937,398

B. Operating Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	County School Service Fund	Other Enterprise Fund	Total
County School Service Fund	\$ -	\$ 25,464	\$ 25,464
Non-Major Governmental Funds	29,756	-	29,756
Other Enterprise Fund	385,159	-	385,159
Total Interfund Transfers	\$ 414,915	\$ 25,464	\$ 440,379

Transfer from the County School Service Fund to the Other Enterprise Fund for NSLP revenues earned by the Enterprise Fund.	\$ 25,464
Transfer from the Non-Major Child Development Fund to the County School Service Fund for indirect costs.	29,756
Transfer from the Other Enterprise Fund to the County School Service Fund for indirect costs.	385,159
Total	\$ 440,379

**MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Business- Type Activities
Payroll	\$ 1,031,818	\$ -	\$ -	\$ -	\$ 1,031,818	\$ -
Vendors payable	1,440,648	-	114,532	17,635	1,572,815	126,160
Other liabilities	-	6,617,189	-	-	6,617,189	-
Total	\$ 2,472,466	\$ 6,617,189	\$ 114,532	\$ 17,635	\$ 9,221,822	\$ 126,160

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Activities	Total Business- Type Activities
Federal sources	\$ 15,368	\$ 69,047	\$ -	\$ 84,415	\$ -
State categorical sources	82,371	-	487	82,858	-
Local sources	7,875	-	-	7,875	88,372
Total	\$ 105,614	\$ 69,047	\$ 487	\$ 175,148	\$ 88,372

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Governmental Activities					
Compensated absences	\$ 227,584	\$ 29,204	\$ -	\$ 256,788	\$ -
Net OPEB obligation	94,816	-	41,833	52,983	-
Net pension liability	17,024,000	2,937,644	-	19,961,644	-
Total	\$ 17,346,400	\$ 2,966,848	\$ 41,833	\$ 20,271,415	\$ -
Business-Type Activities					
Net pension liability	\$ 1,117,000	\$ 185,103	\$ -	\$ 1,302,103	\$ -
Total	\$ 1,117,000	\$ 185,103	\$ -	\$ 1,302,103	\$ -

- Payments for compensated absences are typically liquidated in the County School Service Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2016 amounted to \$256,788. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Net Pension Liability

The County Office of Education’s combined beginning net pension liability was \$18,141,000 and increased by \$3,122,747 during the year ended June 30, 2016. The combined ending net pension liability at June 30, 2016 was \$21,263,747. See Note 11 for additional information regarding the net pension liability.

**MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2016:

	County School Service Fund	Special Education Pass-Through Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 6,499	\$ -	\$ -	\$ -	\$ 6,499
Prepaid expenditures	139,224	-	-	-	139,224
Total non-spendable	145,723	-	-	-	145,723
Restricted					
Educational programs	6,734,631	169,806	-	304,953	7,209,390
Capital projects	-	-	17,573,726	241	17,573,967
Total restricted	6,734,631	169,806	17,573,726	305,194	24,783,357
Committed					
Stabilization	16,754,795	-	-	-	16,754,795
Deferred Maintenance Fund	-	-	-	1,826,848	1,826,848
Total committed	16,754,795	-	-	1,826,848	18,581,643
Assigned					
Special Reserve for Other Than Capital Outlay	184,249	-	-	-	184,249
Total assigned	184,249	-	-	-	184,249
Unassigned					
Reserve for economic uncertainties	1,799,459	-	-	-	1,799,459
Total unassigned	1,799,459	-	-	-	1,799,459
Total	\$ 25,618,857	\$ 169,806	\$ 17,573,726	\$ 2,132,042	\$ 45,494,431

The County Office of Education is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The County Office of Education’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

The County Office of Education provides medical, dental and vision benefits to retirees and their covered eligible dependents. The County Office of Education pays a portion of the medical costs for eligible retirees only. Retirees must pay the entire cost for dental, vision, and dependent medical benefits. All active employees who retire directly from the County Office of Education and meet the eligibility criteria may participate.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	15
Active plan members	206
Total*	<u>221</u>
Number of participating employers	1

*As of November 1, 2015 actuarial study

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

B. Funding Policy

The County Office of Education’s contribution is currently based on a project pay-as-you-go funding method, that is, benefits are payable when due.

As of June 30, 2016, the County Office of Education has not established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the plan and that are legally protected from creditors.

C. Annual OPEB Cost and Net OPEB Obligation

The County Office of Education’s annual 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 No. 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 accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County Office of Education’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County Office of Education’s net OPEB obligation to the Plan:

Annual required contribution	\$	82,565
Interest on net OPEB obligation		4,267
Adjustment to annual required contribution		(6,702)
Annual OPEB cost (expense)		80,130
Contributions made		(121,963)
Increase (decrease) in net OPEB obligation		(41,833)
Net OPEB obligation, beginning of the year		94,816
Net OPEB obligation, end of the year	\$	52,983

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2016 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2016	\$ 80,130	152%	\$ 52,983
2015	\$ 98,470	154%	\$ 94,816
2014	\$ 97,288	142%	\$ 147,950

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
November 1, 2015	\$ -	\$ 862,966	\$ 862,966	0%	\$ 15,770,466	5%

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, investment returns, 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, presented as required supplementary information following the notes to financial statements, 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.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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.

Additional information as of the latest actuarial valuation follows:

Valuation Date	11/1/2015
Actuarial Cost Method	Entry Age
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	23
Asset Valuation	\$ -
Actuarial Assumptions:	
Discount rate	4.5%
Health care trend rate	4.0%
Inflation rate	2.8%

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The County Office of Education reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 10,906,047	\$ 867,961	\$ 1,843,920	\$ 715,794
PERS Pension	10,357,700	1,591,355	1,475,374	802,347
Total	\$ 21,263,747	\$ 2,459,316	\$ 3,319,294	\$ 1,518,141

California State Teachers' Retirement System (CalSTRS)

Plan Description

The County Office of Education contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan 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

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.

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (*continued*)

California State Teachers’ Retirement System (CalSTRS) (*continued*)

Benefits provided (*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.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the County Office of Education were \$867,961 for the year ended June 30, 2016.

On-Behalf Payments

The County Office of Education was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$604,850 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, the County Office of Education 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 of Education. The amount recognized by the County Office of Education 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 of Education were as follows:

County Office of Education's proportionate share of the net pension liability	\$ 10,906,047
State's proportionate share of the net pension liability associated with the County Office of Education	5,768,081
Total	<u>\$ 16,674,128</u>

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational agencies actuarially determined. At June 30, 2015, the County Office of Education’s proportion was 0.016 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County Office of Education recognized pension expense of \$715,794. In addition, the County Office of Education recognized pension expense and revenue of \$448,830 for support provided by the State. At June 30, 2016, the County Office of Education 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>
Differences between projected and actual earnings on plan investments	\$ -	\$ 889,020
Differences between expected and actual experience	-	182,242
Changes in proportion and differences between County Office of Education contributions and proportionate share of contributions	-	772,658
County Office of Education contributions subsequent to the measurement date	867,961	-
	<u>\$ 867,961</u>	<u>\$ 1,843,920</u>

The \$867,961 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 381,405
2018	381,405
2019	381,405
2020	381,405
2021	159,150
2022	159,150
	<u>\$ 1,843,920</u>

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (*continued*)

California State Teachers’ Retirement System (CalSTRS) (*continued*)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

* Net of investment expenses, but gross of administrative expenses.

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.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. 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%
	<u>100%</u>	

* 10-year geometric average

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (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 increases per AB 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 Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County Office of Education’s proportionate share of the net pension liability to changes in the discount rate

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the County Office of Education’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 of Education’s proportionate share of the net pension liability	\$ 16,467,282	\$ 10,906,047	\$ 6,284,212

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits provided

The benefits for the defined benefit plan 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 of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the County Office of Education were \$983,608 for the year ended June 30, 2016.

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

At June 30, 2016, the County Office of Education reported a liability of \$10,357,700 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The County Office of Education's proportion of the net pension liability was based on a projection of the County Office of Education's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational agencies, actuarially determined. At June 30, 2015, the County Office of Education's proportion was 0.070 percent, which did not change from its proportion measured as of June 30, 2014.

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2016, the County Office of Education recognized pension expense of \$802,347. At June 30, 2016, the County Office of Education 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>
Differences between projected and actual earnings on plan investments	\$ -	\$ 354,656
Differences between expected and actual experience	591,958	-
Changes in assumptions	-	636,406
Changes in proportion and differences between County Office of Education contributions and proportionate share of contributions	15,789	484,312
County Office of Education contributions subsequent to the measurement date	983,608	-
	<u>\$ 1,591,355</u>	<u>\$ 1,475,374</u>

The \$983,608 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 209,568	\$ 469,552
2018	209,568	469,552
2019	188,611	447,607
2020	-	88,663
	<u>\$ 607,747</u>	<u>\$ 1,475,374</u>

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. 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 funds’ 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 for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (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. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Discount rate

The discount rate used to measure the total pension liability was 7.65 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 Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the County Office of Education’s proportionate share of the net pension liability to changes in the discount rate

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the County Office of Education’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
County Office of Education's proportionate share of the net pension liability	\$ 16,858,020	\$ 10,357,700	\$ 4,952,250

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The County Office of Education received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2016.

B. Litigation

The County Office of Education is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2016.

C. Construction Commitments

As of June 30, 2016, the County Office of Education had no material commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The County Office of Education participates in the Marin Schools Authority (MSIA), which is a common risk management and insurance program providing workers' compensation and property and liability insurance. The relationships between the County Office of Education and the JPA are such that the JPA is a not component unit of the County Office of Education for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the County Office of Education are included in these statements. The audited financial statements are generally available from the respective entities.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**MARIN COUNTY OFFICE OF EDUCATION
COUNTY SCHOOL SERVICE FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 15,789,063	\$ 18,021,937	\$ 17,415,992	\$ (605,945)
Federal sources	2,927,369	2,884,546	2,812,060	(72,486)
Other state sources	1,881,802	2,374,896	3,103,538	728,642
Other local sources	10,481,298	10,918,185	10,226,731	(691,454)
Total Revenues	31,079,532	34,199,564	33,558,321	(641,243)
EXPENDITURES				
Certificated salaries	9,263,111	10,063,174	8,774,499	1,288,675
Classified salaries	7,818,896	8,387,291	7,924,030	463,261
Employee benefits	5,356,126	4,883,255	5,668,773	(785,518)
Books and supplies	622,217	2,008,688	648,428	1,360,260
Services and other operating expenditures	7,953,318	8,985,528	6,896,312	2,089,216
Capital outlay	376,792	127,000	53,509	73,491
Total Expenditures	31,390,460	34,454,936	29,965,551	4,489,385
Excess (Deficiency) of Revenues				
Over Expenditures	(310,928)	(255,372)	3,592,770	3,848,142
Other Financing Sources (Uses)				
Transfers in	427,391	427,431	414,915	(12,516)
Transfers out	(16,200)	(16,200)	(25,464)	(9,264)
Net Financing Sources (Uses)	411,191	411,231	389,451	(21,780)
NET CHANGE IN FUND BALANCE	100,263	155,859	3,982,221	3,826,362
Fund Balance - Beginning	20,344,641	21,452,387	21,452,387	-
Fund Balance - Ending	\$ 20,444,904	\$ 21,608,246	\$ 25,434,608	\$ 3,826,362

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**MARIN COUNTY OFFICE OF EDUCATION
SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 15,362,105	\$ 15,362,105	\$ 15,490,074	\$ 127,969
Federal sources	5,395,412	5,395,412	5,287,491	(107,921)
Other state sources	1,482,656	1,482,656	1,267,788	(214,868)
Other local sources	-	-	1,730	1,730
Total Revenues	22,240,173	22,240,173	22,047,083	(321,059)
EXPENDITURES				
Other outgo				
Excluding transfers of indirect costs	22,240,173	22,240,173	22,045,353	194,820
Total Expenditures	22,240,173	22,240,173	22,045,353	194,820
NET CHANGE IN FUND BALANCE	-	-	1,730	1,730
Fund Balance - Beginning	168,076	168,076	168,076	-
Fund Balance - Ending	\$ 168,076	\$ 168,076	\$ 169,806	\$ 1,730

See accompanying note to required supplementary information.

**MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
November 1, 2015	\$ -	\$ 862,966	\$ 862,966	0%	\$ 15,770,466	5%
November 1, 2013	\$ -	\$ 1,068,556	\$ 1,068,556	0%	\$ 15,938,542	7%
April 1, 2010	\$ -	\$ 2,097,411	\$ 2,097,411	0%	\$ 17,116,502	12%

See accompanying note to required supplementary information.

**MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office of Education's proportion of the net pension liability	0.016%	0.017%
County Office of Education's proportionate share of the net pension liability	\$ 10,906,047	\$ 10,183,000
States's proportionate share of the net pension liability associated with the County Office of Education	5,768,081	6,148,335
Total	<u>\$ 16,674,128</u>	<u>\$ 16,331,335</u>
County Office of Education's covered-employee payroll	\$ 7,960,962	\$ 7,761,000
County Office of Education's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.0%	131.2%
Plan fiduciary net position as a percentage of the total pension liability.	74.0%	76.5%

See accompanying note to required supplementary information.

**MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office of Education's proportion of the net pension liability	0.070%	0.070%
County Office of Education's proportionate share of the net pension liability	\$ 10,357,700	\$ 7,858,000
County Office of Education's covered-employee payroll	\$ 8,312,012	\$ 7,780,000
County Office of Education's proportionate share of the net pension liability as a percentage of its covered-employee payroll	124.6%	101.0%
Plan fiduciary net position as a percentage of the total pension liability.	79.4%	83.4%

See accompanying note to required supplementary information.

**MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 867,961	\$ 655,827
Contributions in relation to the contractually required contribution*	(867,961)	(655,827)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County Office of Education's covered-employee payroll	\$ 7,960,962	\$ 7,761,000
Contributions as a percentage of covered-employee payroll	10.90%	8.45%

*Amounts do not include on behalf contributions

**MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 983,608	\$ 915,770
Contributions in relation to the contractually required contribution	(983,608)	(915,770)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County Office of Education's covered-employee payroll	\$ 8,312,012	\$ 7,780,000
Contributions as a percentage of covered-employee payroll	11.83%	11.77%

See accompanying note to required supplementary information.

**MARIN COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the County Office of Education's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education's proportion (percentage) of the collective net pension liability, the County Office of Education's proportionate share (amount) of the collective net pension liability, the County Office of Education's covered-employee payroll, the County Office of Education's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Schedule of County Office of Education Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the County Office of Education's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the County Office of Education's covered-employee payroll.

**MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, the County Office of Education incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
County School Service Fund			
Employee benefits	\$ 4,883,255	\$ 5,668,773	\$ 785,518

**SUPPLEMENTARY
INFORMATION**

**MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Sub recipients
U. S. DEPARTMENT OF EDUCATION:				
<i>Passed through California Department of Education:</i>				
Title I, Part A				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 208,167	\$ -
Title I, Part D, Local Delinquent Programs	84.010	14357	46,365	-
Subtotal Title I, Part A			254,532	-
Title II, Part A, Teacher Quality	84.367	14341	12,532	-
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512	578,184	-
Title III				
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	62,451	-
Title III, Immigrant Education Program	84.365	15146	3,825	-
Subtotal Title III			66,276	-
Title IV, Part A, Drug-Free Schools	84.186	14347	3,799	-
Department of Rehab: Workability II, Transition Partnership	84.158	10006	79,100	-
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	5,282,581	4,784,227
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	507,694	503,264
Part B, Preschool Grants	84.173	13430	258,632	-
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	673,755	-
Alternative Dispute Resolution	84.027	13007	10,901	-
AB 114 CANS Demonstration Project	84.027	01110	36,000	-
Subtotal Special Education Cluster			6,769,563	5,287,491
IDEA Early Intervention Grants	84.181	23761	252,596	-
Vocational Programs				
Vocational Programs: Voc & Appl Tech Adult II C, Sec 132 (Carl Perkins Act)	84.048	14893	6,516	-
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	6,000	-
Subtotal Vocational Programs			12,516	-
<i>Passed through County of Marin:</i>				
Workforce Investment Act	17.259	10055	44,990	-
Total U. S. Department of Education			8,074,088	5,287,491
U. S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through California Department of Education:</i>				
National School Lunch Program	10.555	13391	25,463	-
Total U. S. Department of Agriculture			25,463	-
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Passed through California Department of Education:</i>				
Child Care and Development Block Grant				
Local Planning Councils	93.575	13946	53,667	-
Quality Improvement Activities	93.575	13979	64,654	-
Subtotal Child Care and Development Block Grant			118,321	-
<i>Passed through California Department of Health Services:</i>				
Medi-Cal Billing Option	93.778	10013	167,889	-
Total U. S. Department of Health & Human Services			286,210	-
Total Federal Expenditures			\$ 8,385,761	\$ 5,287,491

**MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2016**

	Second Period Report	Annual Report
COUNTY OFFICE OF EDUCATION		
TK/K through Third		
Special Education - Special Day Class	19.79	21.62
Special Education - Nonpublic Schools	1.56	1.94
Extended Year Special Education - Nonpublic Schools	4.66	4.66
Total TK/K through Third	26.01	28.22
Fourth through Sixth		
Special Education - Special Day Class	17.60	19.82
Special Education - Nonpublic Schools	12.43	12.38
Extended Year Special Education - Nonpublic Schools	4.49	4.49
Total Fourth through Sixth	34.52	36.69
Seventh through Eighth		
Special Education - Special Day Class	21.30	22.44
Special Education - Nonpublic Schools	11.20	10.58
Extended Year Special Education - Nonpublic Schools	35.63	3.13
Total Seventh through Eighth	68.13	36.15
Ninth through Twelfth		
County Community Schools	4.06	4.45
Special Education - Special Day Class	70.90	76.95
Special Education - Nonpublic Schools	12.90	13.52
Extended Year Special Education - Nonpublic Schools	9.31	9.31
Total Ninth through Twelfth	97.17	104.23
Juvenile Court Schools		
Juvenile Halls, Homes, and Camps - Elementary	2.31	2.48
Juvenile Halls, Homes, and Camps - High School	15.01	16.62
County Funded Non-Juvenile Court Schools		
Probation Referred, On Probation or Parole, Expelled - Elementary	2.64	3.51
Probation Referred, On Probation or Parole, Expelled - High School	29.58	32.23
Total Alternative Education	49.54	54.84
Adults in Correctional Facilities	28.36	33.06
TOTAL COUNTY OFFICE OF EDUCATION	303.73	293.19

**MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
County School Service Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 35,306,085	\$ 33,973,236	\$ 31,282,319	\$ 31,706,343
Expenditures And Other Financing Uses	33,868,705	29,991,015	28,188,462	32,813,462
Net change in Fund Balance	\$ 1,437,380	\$ 3,982,221	\$ 3,093,857	\$ (1,107,119)
Ending Fund Balance	\$ 26,871,988	\$ 25,434,608	\$ 21,636,242	\$ 18,542,385
Available Reserves*	\$ 2,032,120	\$ 1,799,459	\$ 1,875,163	\$ 4,124,733
Available Reserves As A Percentage Of Outgo	6.00%	6.00%	6.65%	12.57%
Long-term Debt	\$ 21,573,518	\$ 21,573,518	\$ 18,463,400	\$ 24,524,532
Average Daily Attendance At P-2	304	304	290	337

The County School Service Fund balance has increased by \$6,892,223 over the past two years. The fiscal year 2016-17 budget projects a further increase of \$1,437,380. For a County Office of Education this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The County Office of Education has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have decreased by \$2,951,014 over the past two years.

Average daily attendance has decreased by 33 ADA over the past two years. No change in ADA is anticipated during the 2016-17 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**MARIN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	County School Service Fund	Special Reserve Fund for Other Than Capital Outlay	Other Enterprise Fund
June 30, 2016, annual financial and budget report fund balance	\$ 25,434,608	\$ 184,249	\$ 4,308,109
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Current year pension expense	-	-	(1,377,875)
Fund balance transfer (GASB 54)	184,249	(184,249)	-
Net adjustments and reclassifications	184,249	(184,249)	(1,377,875)
June 30, 2016, audited financial statement fund balance	<u>\$ 25,618,857</u>	<u>\$ -</u>	<u>\$ 2,930,234</u>

**MARIN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF CHARTER SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2016**

Charter School	Status	Included in Audit Report
Phoenix Academy Charter	Active	Included in County Office of Education's financial statements in the County School Service Fund

**MARIN COUNTY OFFICE OF EDUCATION
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Child Development Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS					
Cash and investments	\$ 65,629	\$ 1,826,848	\$ 266,915	\$ 241	\$ 2,159,633
Accounts receivable	68,541	-	98,751	-	167,292
Due from other funds	-	-	20,000	-	20,000
Total Assets	\$ 134,170	\$ 1,826,848	\$ 385,666	\$ 241	\$ 2,346,925
LIABILITIES					
Accrued liabilities	\$ 33,819	-	\$ 80,713	-	\$ 114,532
Due to other funds	99,864	-	-	-	99,864
Unearned revenue	487	-	-	-	487
Total Liabilities	134,170	-	80,713	-	214,883
FUND BALANCES					
Restricted	-	-	304,953	241	305,194
Committed	-	1,826,848	-	-	1,826,848
Total Fund Balances	-	1,826,848	304,953	241	2,132,042
Total Liabilities and Fund Balance	\$ 134,170	\$ 1,826,848	\$ 385,666	\$ 241	\$ 2,346,925

See accompanying note to supplementary information.

**MARIN COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Child Development Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES					
Federal sources	\$ 118,321	\$ -	\$ -	\$ -	\$ 118,321
Other state sources	271,414	-	-	-	271,414
Other local sources	-	3,908	739,791	1	743,700
Total Revenues	389,735	3,908	739,791	1	1,133,435
EXPENDITURES					
Current					
Instruction-related services					
Instructional supervision and administration	250,424	-	-	-	250,424
Pupil services					
All other pupil services	109,555	-	-	-	109,555
Community services	-	-	653,252	-	653,252
Total Expenditures	359,979	-	653,252	-	1,013,231
Excess (Deficiency) of Revenues					
Over Expenditures	29,756	3,908	86,539	1	120,204
Other Financing Sources (Uses)					
Transfers out	(29,756)	-	-	-	(29,756)
Net Financing Sources (Uses)	(29,756)	-	-	-	(29,756)
NET CHANGE IN FUND BALANCE	-	3,908	86,539	1	90,448
Fund Balance - Beginning	-	1,822,940	218,414	240	2,041,594
Fund Balance - Ending	\$ -	\$ 1,826,848	\$ 304,953	\$ 241	\$ 2,132,042

See accompanying note to supplementary information.

**MARIN COUNTY OFFICE OF EDUCATION
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2016**

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

The County Office of Education supervises the activated 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 education 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

Member	Office	Term Expires
Robert K. Goldman	President	December 2019
Patricia D. Garbarino	Vice President	December 2019
Patricia A. Warren	Member	December 2019
David M. Hellman	Member	December 2017
Marilyn L. Nemzer	Member	December 2017
Curtis F. Robinson	Member	December 2017
Clairette C. Wilson	Member	December 2019

COUNTY OFFICE OF EDUCATION ADMINISTRATORS

Mary Jane Burke
County Superintendent of Schools

Terena Mares
Deputy Superintendent, Business

MARIN COUNTY OFFICE OF EDUCATION
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County Office of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The County Office of Education has not elected to use the 10 percent de minimis indirect cost rate.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2016 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2016.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 8,217,872
Medi-Cal Billing Option	93.778	<u>167,889</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 8,385,761</u>

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the County Office of Education. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to educational agencies. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Financial Trends and Analysis

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

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION, *continued*
JUNE 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES (*continued*)

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the County Office of Education, and displays information for each Charter School on whether or not the Charter School is included in the County Office of Education audit.

Combining Statements – Non-Major Funds

These statements provide information on the County Office of Education's non-major funds.

Local Education Agency Organization Structure

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

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
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, each major fund, and the aggregate remaining fund information of Marin County Office of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Marin County Office of Education's basic financial statements, and have issued our report thereon dated December 7, 2016.

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.

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State Board of Accountancy*

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2016-1)

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*.

Marin County Office of Education's Response to Findings

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

Purpose of this Report

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

Christy White Associates

San Diego, California
December 7, 2016

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

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

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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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christy White Associates

San Diego, California
December 7, 2016

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Marin County Office of Education
San Rafael, California

Report on State Compliance

We have audited Marin County Office of Education's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of Marin County Office of Education's state programs for the fiscal year ended June 30, 2016, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marin County Office of Education's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards 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 the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Marin County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Marin County Office of Education's compliance with those requirements.

Opinion on State Compliance

In our opinion, Marin County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2016.

Christy White, CPA

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Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	No
Mode of Instruction; for charter schools	No
Nonclassroom-Based Instruction/Independent Study; for charter schools	No
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	No
Charter School Facility Grant Program	Not Applicable

We did not perform any procedures related to California Clean Energy Jobs Act because the County Office of Education did not have any expenditures in the current year.

We did not perform any procedures related to Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom based Instruction/Independent Study for Charter School or Annual Instructional Minutes for Charter School, because the ADA generated by the program was not material.

Christy White Associates

San Diego, California
December 7, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**MARIN COUNTY OFFICE OF EDUCATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

MARIN COUNTY OFFICE OF EDUCATION
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING 2016-1: CASH DISBURSEMENTS (30000)

Criteria: Sufficient internal controls over cash disbursements include preapproval of expenses to ensure expenses are properly budgeted for and funds are spent for purposes of benefiting the Marin County Office of Education's operations. With purchase orders utilized as a budgeting tool, payments of expenditures should be supported by such documentation in order to demonstrate proper authorization prior to the purchase and the procurement of funds associated with a given expenditure. A segregation of duties should exist between purchase requisition and payment approval process. Duties should be segregated such that the work of one individual provides a crosscheck on the work of another individual.

Condition: In our testing of controls over cash disbursements, it was noted that 6 out of 25 payments tested had invoices dated prior to the purchase order date, which indicate the purchases was made prior the approval.

Cause: Ineffective implementation over the use of purchase orders.

Effect: Potential misuse or misappropriation of established budgets.

Recommendation: We recommend that the Marin County Office of Education enforce its established internal control policies and ensure expenditures are going through the proper purchase order process prior to the purchase of goods and services, which indicate the purchase requisitions being available, confirm that funds are properly budgeted for and available, and the final purchase order is approved and distributed to all appropriate parties.

District Response: The Marin County Office of Education will provide training to staff regarding proper purchasing procedures to assure expenditures are subjected to the appropriate approval process in advance of the purchase of goods and services.

MARIN COUNTY OFFICE OF EDUCATION
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no Federal Award Findings or Questioned Costs for the year ended June 30, 2016.

**MARIN COUNTY OFFICE OF EDUCATION
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no State Award Findings or Questioned Costs for the year ended June 30, 2016.

MARIN COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

FINDING #2015-1: 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.

Current Status: Implemented.