



**YUBA COUNTY  
OFFICE OF  
EDUCATION**

**ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2019**



**YUBA COUNTY OFFICE OF EDUCATION**

**OF YUBA COUNTY**

**MARYSVILLE, CALIFORNIA**

**JUNE 30, 2019**

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**GOVERNING BOARD**

<b>MEMBER</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
George Smith	President (Area 2)	December 2020
Desiree Haste	Vice President (Area 4)	December 2020
Marjorie Renicker	Trustee (Area 1)	December 2022
Vacant	Trustee (Area 3)	December 2020
Eva Teagarden	Trustee (Area 5)	December 2022

**ADMINISTRATION**

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Francisco Reveles, Ed.D.	County Superintendent
Violette Begley	Director of Fiscal Services

**ORGANIZATION**

The Yuba County Office of Education (COE) was established in 1852. The COE coordinates the educational programs among school districts within Yuba County. The COE also provides professional and financial assistance to school districts and has general responsibilities to support and monitor all schools in the county. The activities of the COE are governed by five trustees comprising the Yuba County Board of Education. Each trustee is elected by the residents of an area approximating the county supervisory districts.

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Yuba County Office of Education  
Marysville, California

### ***REPORT ON THE FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yuba County Office of Education, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Yuba 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.

### **Auditors' 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, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* ("2018-19 K-12 Audit Guide"), prescribed in the *California Code of Regulations*, Title 5, § 19810, et seq. 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.

RT DENNIS  
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, the business-type activities, each major fund, and the aggregate remaining fund information of Yuba County Office of Education, as of June 30, 2019, 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 comparisons, pension schedules, and OPEB schedule on pages 5 through 18 and 69 through 75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yuba County Office of Education's basic financial statements. The accompanying supplementary information; the Schedule of Expenditures of Federal Awards, as required by Title 2, U.S. *Code of Federal Regulations*, Part 200, Uniform *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), the Local Education Agency Organization Structure, the Schedule of Average Daily Attendance, the Schedule of Instructional Time, the Schedule of Financial Trends and Analysis, the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements, the Schedule of Charter Schools, and the Note to Supplementary Information, as required by the *2018-19 K-12 Audit Guide* and the Combining Statements of Non-Major Governmental Funds are all presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Local Education Agency Organization Structure, the Schedule of Average Daily Attendance, the Schedule of Instructional Time, the Schedule of Financial Trends and Analysis, the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements, the Schedule of Charter Schools, and the Note to Supplementary Information are all 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 Schedule of Expenditures of Federal Awards, the Local Education Agency Organization Structure, the Schedule of Average Daily Attendance, the Schedule of Instructional Time, the Schedule of Financial Trends and Analysis, the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements, the Schedule of Charter Schools, and the Note to Supplementary Information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Combining Statements of Non-Major Governmental Funds has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of Yuba 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 Yuba County Office of Education’s internal control over financial reporting and compliance.



December 13, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### INTRODUCTION

Our discussion and analysis of Yuba County Office of Education's ("COE") financial performance provides an overview of the COE's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the COE's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- ▶ Total net position of both governmental and business-type activities increased about 42%. There is an increase in balances for new differentiated assistance funding and court and community schools, as well as, completion of some facility improvements and some pension liability adjustments.
- ▶ During the year, the Yuba County Office of Education's total revenues were \$35.5 million and expenses were \$34.1 million.
- ▶ The total cost of the Yuba County Office of Education's governmental activities programs increased (increasing approximately \$2.4 million, or about 7.6%), due mainly to cash fund transfer to facilities being booked as interfund transfers instead of a loan.
- ▶ The County School Services Fund (general fund) reported a decrease in fund balance this year of \$1.7 due to an interfund transfer for construction costs in anticipation of the state school bond money.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts—*management’s discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplementary information*, which presents federal awards, state required schedules, and combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the COE:

**Figure A-1**  
**Required Components of Yuba County Office of Education’s Annual Financial Report**

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the COE’s *overall* financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the COE government, reporting the COE’s operations in *more detail* than the government-wide statements.

The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.

*Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

*Fiduciary fund* statements provide information about the financial relationships—like the (warrant pass-through and ASB)—in which the COE acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the COE’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

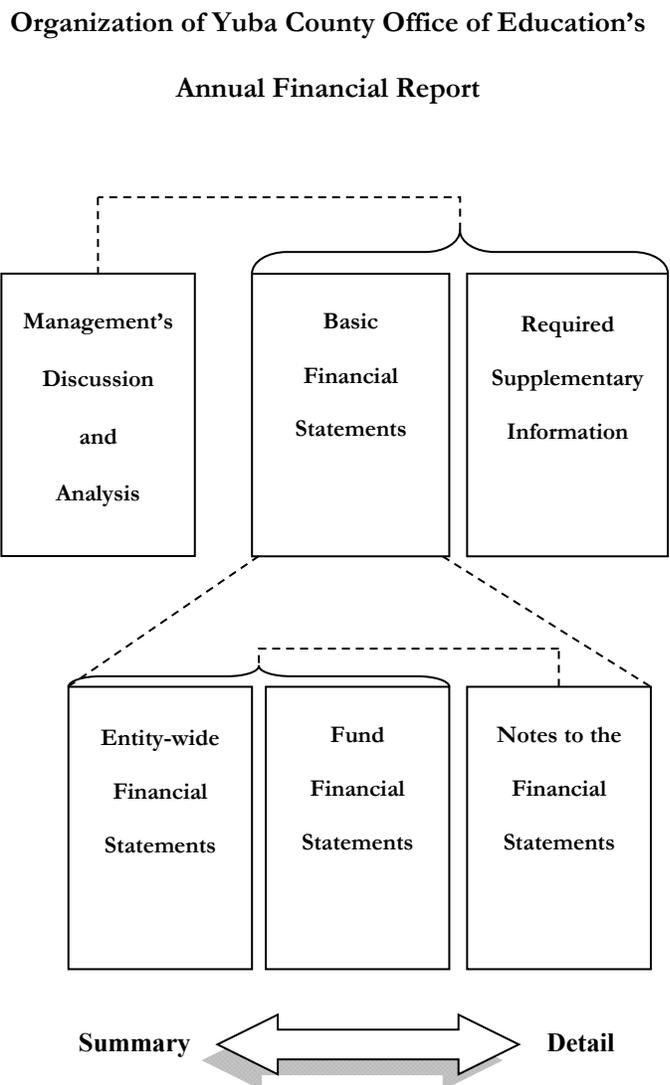


Figure A-2 summarizes the major features of the COE’s financial statements, including the portion of the COE’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Entity-wide Statements**

The entity-wide statements report information about the COE as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the COE'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 entity-wide statements report the COE's *net position* and how they have changed. Net position—the difference between the COE's assets and liabilities—are one way to measure the COE's financial health or *position*.

- ❖ Over time, increases or decreases in the COE's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- ❖ To assess the overall health of the COE, you need to consider additional nonfinancial factors such as changes in the COE's property tax base and the condition of school buildings and other facilities. In the entity-wide financial statements, the COE's activities are divided into two categories:
  - *Governmental activities*—Most of the COE's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
  - *Business-type activities*—The COE charges fees to help it cover the costs of certain services it provides. The COE's adult education programs and food services are included here.

**Figure A-2**  
**Major Features of Yuba County Office of Education’s Entity-wide and Fund Financial Statements**

	Fund Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire COE government (except fiduciary funds) and the COE’s component units	The activities of the COE that are not proprietary or fiduciary, such as self-insurance, ASB	Activities the COE operates similar to private businesses: child care, and self-insurance	Instances in which the COE is the trustee or agent for someone else’s resources, such as the ASB and warrant pass-through
Required financial statements	<ul style="list-style-type: none"> <li>➤ Statement of net position</li> <li>➤ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Balance sheet</li> <li>➤ Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>➤ Statement of net position</li> <li>Statement of revenues, expenses, and changes in net position</li> <li>Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>➤ Statement of fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the COE’s funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Fund Financial Statements**

The fund financial statements provide more detailed information about the COE’s *funds*, focusing on its most significant or “major” funds—not the COE as a whole. Funds are accounting devices the COE uses to keep track of specific sources of funding and spending on particular programs:

- ❖ Some funds are required by State law and by bond covenants.
- ❖ The COE establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

## YUBA COUNTY OFFICE OF EDUCATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2019

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The COE has three kinds of funds:

- ❖ *Governmental funds*—Most of the COE's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at yearend that are available for spending. Consequently, the governmental funds statements 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 COE's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- ❖ *Proprietary funds*—Services for which the COE charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the entity-wide statements.
  - In fact, the COE's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - We use *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for the COE's other programs and activities. The COE currently has one internal service fund—the OPEB Self-Insurance fund.
- ❖ *Fiduciary funds*—The COE is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The COE is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the entity-wide financial statements because the COE cannot use these assets to finance its operations.

YUBA COUNTY OFFICE OF EDUCATION

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2019

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

Due to the various pension liabilities the COE reported a total deficit unrestricted net position of \$6.2 million. (See Table 1.)

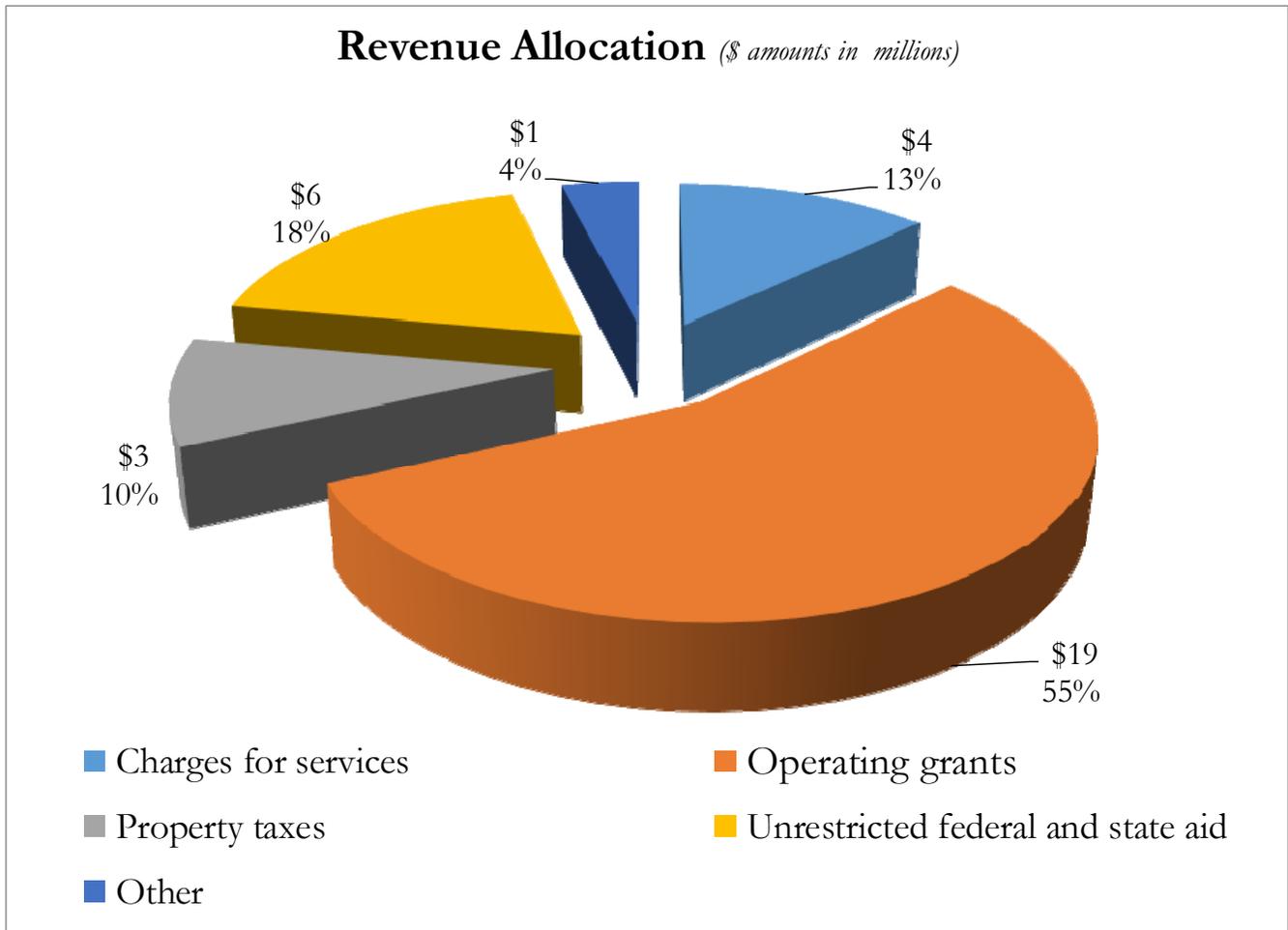
Table 1 - Net Position

	Governmental		Business-Type		Total		\$ Change	% Change
	Activities		Activities					
(amounts in millions)	2019	2018	2019	2018	2019	2018		
<b>ASSETS</b>								
Current assets	\$ 17.1	\$ 14.5	\$ -	\$ -	\$ 17.1	\$ 14.5	\$ 2.6	18%
Capital assets, net	11.5	9.8	1.3	1.3	12.8	11.1	1.7	15%
<b>Total Assets</b>	<b>28.6</b>	<b>24.3</b>	<b>1.3</b>	<b>1.3</b>	<b>29.9</b>	<b>25.6</b>	<b>4.3</b>	<b>17%</b>
<b>DEFERRED</b>								
<b>OUTFLOWS OF</b>								
<b>RESOURCES</b>	5.3	5.3	-	0.1	5.3	5.4	(0.1)	-2%
<b>LIABILITIES</b>								
Current liabilities	5.0	3.5	-	-	5.0	3.5	1.5	43%
Non-current liabilities	22.9	21.5	0.1	0.4	23.0	21.9	1.1	5%
<b>Total Liabilities</b>	<b>27.9</b>	<b>25.0</b>	<b>0.1</b>	<b>0.4</b>	<b>28.0</b>	<b>25.4</b>	<b>2.6</b>	<b>10%</b>
<b>DEFERRED INFLOW</b>								
<b>OF RESOURCES</b>	1.1	1.3	-	-	1.1	1.3	(0.2)	-15%
<b>NET POSITION</b>								
Net investment in capital assets	9.9	8.0	1.3	1.3	11.2	9.3	1.9	20%
Restricted	1.1	1.2	-	-	1.1	1.2	(0.1)	-8%
Unrestricted - (Deficit)	(6.1)	(5.9)	(0.1)	(0.3)	(6.2)	(6.2)	-	0%
<b>Total Net Position</b>	<b>\$ 4.9</b>	<b>\$ 3.3</b>	<b>\$ 1.2</b>	<b>\$ 1.0</b>	<b>\$ 6.1</b>	<b>\$ 4.3</b>	<b>\$ 1.8</b>	<b>42%</b>

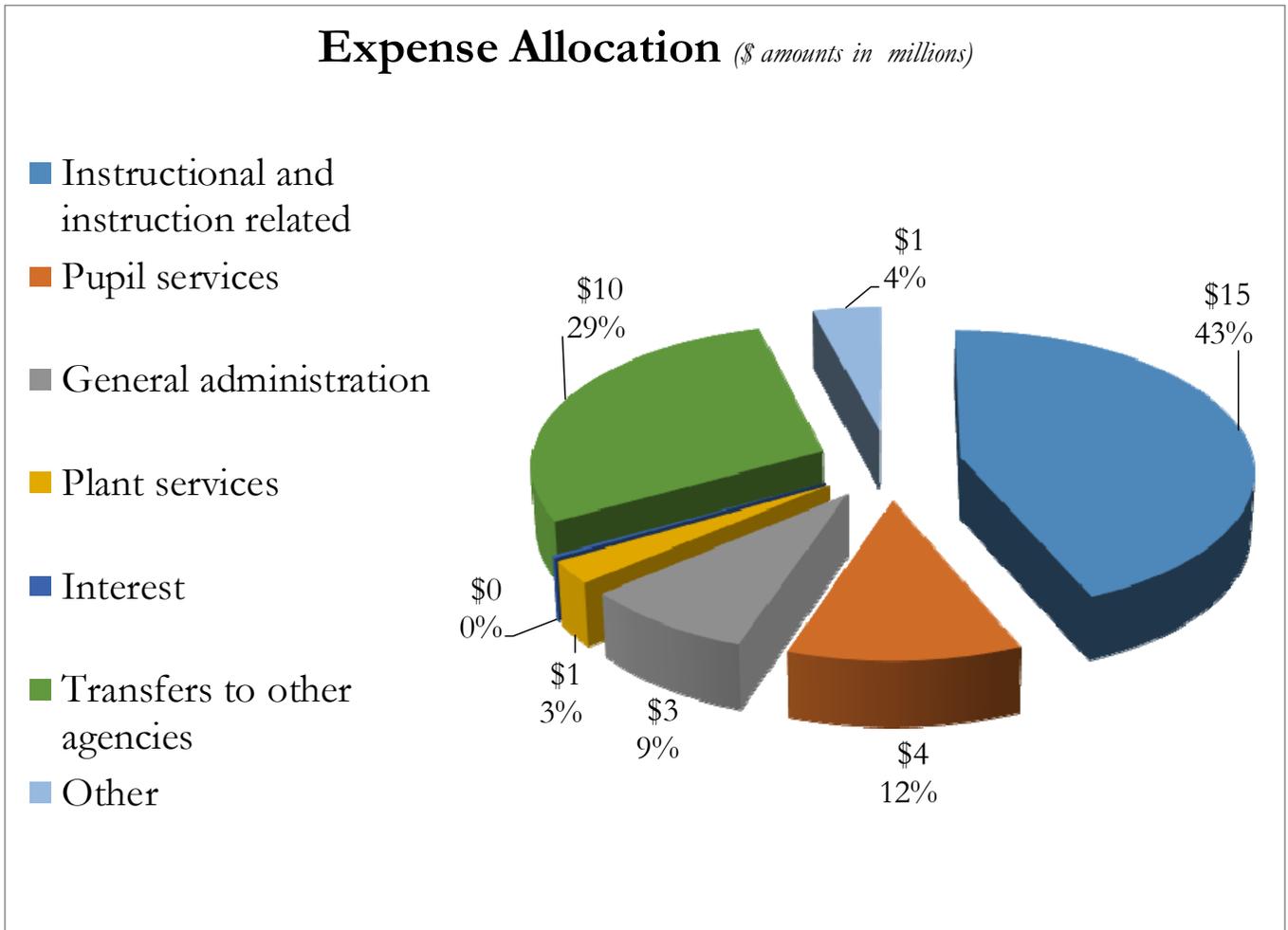
All of the components of net position are either restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, and so on). Consequently, the *unrestricted* component of net position showed a \$6.2 million deficit at the end of this year. This deficit does not mean that the COE does not have resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than currently available resources. Specifically, the COE did not include in past annual budgets the full amounts needed to finance future liabilities arising mainly from the various pension liabilities, as well as, the total booking of depreciation. The COE will include these amounts in future years’ budgets as they come due.

**Changes in Net Position**

The COE's total governmental revenues increased by about twelve percent to \$35.5 million. (See Table 2.) Over half of the revenue comes from operating grants, and eighteen cents of every dollar raised comes unrestricted state and federal aid (mostly LCFF state aid). (See Revenue Allocation.) Another thirteen percent comes from fees charged for services, and most of the rest is other state and local sources.



The total cost of all governmental programs and services increased to \$33.9 million, (or twelve percent). The COE's expenses cover a range of services, with the two largest parts being related to instruction (and related) and transfers to other agencies. (See Expense Allocation.)



YUBA COUNTY OFFICE OF EDUCATION

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2019

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2 - Changes in Net Position

	Governmental		Business-Type		Total		\$ Change	% Change
	Activities		Activities					
(amounts in millions)	2019	2018	2019	2018	2019	2018		
<b>REVENUES</b>								
Program revenues								
Charges for services	\$ 4.3	\$ 4.1	\$ -	\$ 0.4	\$ 4.3	\$ 4.5	\$ (0.2)	-4%
Operating grants	18.5	17.6	-	-	18.5	17.6	0.9	5%
Capital grants and contributions	2.1	0.2	-	-	2.1	0.2	1.9	950%
General revenues								
Property taxes	3.2	2.9	-	-	3.2	2.9	0.3	10%
Unrestricted federal and state aid	6.1	5.3	-	-	6.1	5.3	0.8	15%
Other	1.3	1.6	-	-	1.3	1.6	(0.3)	-19%
<b>Total Revenues</b>	<b>35.5</b>	<b>31.7</b>	<b>-</b>	<b>0.4</b>	<b>35.5</b>	<b>32.1</b>	<b>3.4</b>	<b>11%</b>
<b>EXPENSES</b>								
Instructional and instruction related	14.6	13.2	-	-	14.6	13.2	1.4	11%
Pupil services	3.9	3.6	-	-	3.9	3.6	0.3	8%
General administration	2.9	2.5	-	-	2.9	2.5	0.4	16%
Plant services	0.9	1.1	-	-	0.9	1.1	(0.2)	-18%
Interest	0.1	0.1	-	-	0.1	0.1	-	0%
Transfers to other agencies	9.7	9.2	-	-	9.7	9.2	0.5	5%
Depreciation	0.4	0.4	-	-	0.4	0.4	-	0%
Other	1.4	1.4	0.2	0.6	1.6	2.0	(0.4)	-20%
<b>Total Expenses</b>	<b>33.9</b>	<b>31.5</b>	<b>0.2</b>	<b>0.6</b>	<b>34.1</b>	<b>32.1</b>	<b>2.0</b>	<b>6%</b>
Transfers & special items	(0.1)	(0.1)	0.4	0.1	0.3	-	0.3	n/a
<b>Excess</b>	<b>\$ 1.5</b>	<b>\$ 0.1</b>	<b>\$ 0.2</b>	<b>\$ (0.1)</b>	<b>\$ 1.7</b>	<b>\$ -</b>	<b>\$ 1.7</b>	<b>n/a</b>

**Governmental Activities**

Revenues for the COE’s governmental activities increased, and total expenses also increased.

Most of the reason for the revenue increases was due to LCFF and differentiated assistance as well as COLA on special education. These expansions led to the increase in staffing, particularly with classified staff. In addition to those increases, pension expenses increased due to an increase in the pension liability.

**Business-type Activities**

Activity increased in 2018-19, the special item is from the reduction in pension liability due to a decrease in staffing. Plumas Lake Child Development Center had less revenue and less expense because YCOE is no longer operating a center. Now YCOE is only renting out the buildings. The special item reflects pension allocation down because of the staffing change.

YUBA COUNTY OFFICE OF EDUCATION

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2019

Table 3 presents the cost of each of the COE’s four largest programs—instruction and instruction related, student services, plant services, and all others—as well as each program’s *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the COE by each of these functions.

- The cost of all *governmental* activities this year was \$33.9 million.
- Some of the cost was paid by:
  - Those who directly benefited from the programs (\$4.3 million),
  - Other governments that subsidized certain programs with grants and contributions (\$18.5 million).
  - State school bonds that subsidized capital programs with grants and contributions (\$2.1 million).
- The COE paid for the \$9.0 million “public benefit” portion with \$3.2 million in taxes, \$6.1 from unrestricted state aid, and the rest from other revenues such as interest, interagency revenue, and miscellaneous (\$1.3 million).

**Table 3 - Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services		\$ Change	% Change
	2019	2018	2019	2018		
<i>(amounts in millions)</i>						
Instruction	\$ 11.0	\$ 10.0	\$ 2.0	\$ 3.4	\$ (1.4)	-41%
Instruction related	3.6	3.2	1.9	1.6	0.3	19%
Student services	3.9	3.6	0.7	0.6	0.1	17%
Community services	1.1	1.0	0.3	-	0.3	n/a
Plant services	0.9	1.1	0.7	0.9	(0.2)	-22%
Other	13.4	12.5	3.4	3.0	0.4	13%
<b>Total</b>	<b>\$ 33.9</b>	<b>\$ 31.4</b>	<b>\$ 9.0</b>	<b>\$ 9.5</b>	<b>\$ (0.5)</b>	<b>-5%</b>

YUBA COUNTY OFFICE OF EDUCATION

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2019

FINANCIAL ANALYSIS OF THE COE’S FUNDS

Fund Financial Statement

As the COE completed the year, its funds reported a *combined* fund balance of \$9.0 million, a decrease over last year. Included in this year’s total change in fund balance, however, is a loss of \$1.7 million in the COE’s general fund. The primary reasons for the fund’s loss is from one-time funding, as follows:

- Transfer of cash for facilities projects and construction costs.

Table 4 - Funds' Performance

<i>(amounts in millions)</i>	Governmental Funds			
	2019	2018	\$ Change	% Change
<b>REVENUES</b>				
LCFF	\$ 8.9	\$ 8.0	\$ 0.9	11%
Categorical	17.8	16.6	1.2	7%
Local	7.3	7.1	0.2	3%
<b>Total Revenues</b>	<b>34.0</b>	<b>31.7</b>	<b>2.3</b>	<b>7%</b>
<b>EXPENDITURES</b>				
Certificated	6.0	5.7	0.3	5%
Classified	5.9	5.5	0.4	7%
Benefits	5.8	4.7	1.1	23%
Books and supplies	0.6	0.7	(0.1)	-14%
Services and other operating	4.9	4.5	0.4	9%
Capital outlay	1.6	0.4	1.2	300%
Other outgo	10.1	9.7	0.4	4%
<b>Total Expenditures</b>	<b>34.9</b>	<b>31.2</b>	<b>3.7</b>	<b>12%</b>
<b>Net financing activities</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.2</b>	<b>200%</b>
<b>NET CHANGE IN</b>				
<b>FUND BALANCE</b>	<b>\$ (1.0)</b>	<b>\$ 0.6</b>	<b>\$ (1.6)</b>	<b>267%</b>

YUBA COUNTY OFFICE OF EDUCATION

MANAGEMENT’S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2019

County School Services Fund Budgetary Highlights

Over the course of the year, the School Board revised the COE budget several times. These budget amendments fall into three categories:

- ❖ Amendments and supplemental appropriations approved in December (1<sup>st</sup> Interim) to reflect the actual beginning account balances (correcting the estimated amounts in the budget adopted in June 2018).
- ❖ Changes made in the 2<sup>nd</sup> Interim to account for the midyear hiring and other changes.
- ❖ Increases in appropriations to prevent budget overruns.

**Table 5 - County School Services Fund and Budget Performance**

	Activity			Budget		
	2019	2018	% Difference	Original Budget	Final Budget	% Difference
<i>(amounts in millions)</i>						
<b>REVENUES</b>						
LCFF	\$ 5.8	\$ 5.1	14%	\$ 5.2	\$ 5.0	16%
Categorical	7.3	6.7	9%	5.4	6.9	6%
Local	6.7	6.6	2%	6.9	7.2	-7%
<b>Total Revenues</b>	19.8	18.4	8%	17.5	19.1	4%
<b>EXPENDITURES</b>						
Certificated	4.7	4.3	9%	4.7	4.6	2%
Classified	5.1	4.8	6%	4.6	5.1	0%
Benefits	4.7	3.8	24%	4.3	4.4	7%
Supplies and services	3.8	3.6	6%	2.9	4.2	-10%
Other	0.4	0.7	-43%	0.3	0.3	33%
<b>Total Expenditures</b>	18.7	17.2	9%	16.8	18.6	1%
<b>Net financing activities</b>	(2.8)	(0.9)	211%	(0.6)	(0.4)	600%
<b>NET CHANGE IN FUND BALANCE</b>						
	\$ (1.7)	\$ 0.3	-667%	\$ 0.1	\$ 0.1	-1800%

YUBA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
 JUNE 30, 2019

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The COE restated capital assets as mentioned previously.

At June 30, 2019, the COE had invested a total \$19.5 million in a broad range of capital assets, including buildings, building improvements, and equipment. (See Table 6.) There was a net increase (including additions and deductions) of \$1.6 million over last year.

**Table 6 - COE's Capital Assets**

	Governmental		Business-Type		Total		\$ Change	% Change
	Activities		Activities					
<i>(amounts in millions)</i>	2019	2018	2019	2018	2019	2018		
<b>CAPITAL ASSETS</b>								
Land and const. in progress	\$ 1.3	\$ 1.0	\$ -	\$ -	\$ 1.3	\$ 1.0	\$ 0.3	30%
Buildings and equipment	16.5	14.8	1.7	1.6	18.2	16.4	1.8	11%
Accumulated depreciation	(6.4)	(6.0)	(0.4)	(0.3)	(6.8)	(6.3)	(0.5)	8%
<b>Total Capital Assets</b>	<b>\$ 11.4</b>	<b>\$ 9.8</b>	<b>\$ 1.3</b>	<b>\$ 1.3</b>	<b>\$ 12.7</b>	<b>\$ 11.1</b>	<b>\$ 1.6</b>	<b>14%</b>

**Long-Term Liabilities**

Most activity on long-term liabilities is the pay-down of the lease purchase and the change in pension liability.

**Table 7 - COE's Long Term Liabilities**

	Governmental		Business-Type		Total		\$ Change	% Change
	Activities		Activities					
<i>(amounts in thousands)</i>	2019	2018	2019	2018	2019	2018		
Net pension liability	\$ 18.9	\$ 17.3	\$ 0.1	\$ 0.4	\$ 19.0	\$ 17.7	\$ 1.3	7%
Net OPEB	2.7	2.5	-	-	2.7	2.5	0.2	8%
Compensated absences	0.1	0.1	-	-	0.1	0.1	-	0%
Capital leases	0.2	0.2	-	-	0.2	0.2	-	0%
Lease/purchase agreement	1.5	1.8	-	-	1.5	1.8	(0.3)	-17%
Less current portion	(0.4)	(0.4)	-	-	(0.4)	(0.4)	-	0%
<b>Total Long-term Liabilities</b>	<b>\$ 23.0</b>	<b>\$ 21.5</b>	<b>\$ 0.1</b>	<b>\$ 0.4</b>	<b>\$ 23.1</b>	<b>\$ 21.9</b>	<b>\$ 1.2</b>	<b>5%</b>

## YUBA COUNTY OFFICE OF EDUCATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued JUNE 30, 2019

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#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- Enrollment fluctuations
- Changes in federal, state, and local funding allocations
- Aging facilities
- Increase cost of employee health insurance and retirement
- Waiting on state facility bond allocation.
- Transfer of special education programs to Districts.

These indicators were taken into account when adopting the general fund budget for 2019-20. Amounts available for appropriation in the general fund budget are \$17.4 million, a decrease of six percent over the final 2019 budget of \$18.5 million. A decrease in federal WIOA is the main factor for the change. The COE will adjust for federal carryover funding once the amounts are known.

Budgeted expenditures are expected to decrease in relation to revenue. An increase in wages for step & column adjustments, COLA adjustments and PERS and STRS increases, of \$800,000 based on agreements reached with the certificated and classified unions in 2019. The COE will increase program services using differentiated assistance funding received through LCFF in 2019-20.

If these estimates are realized, the COE's budgetary general fund balance is expected to stabilize by the close of 2019-20.

#### CONTACTING THE COE'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the COE's finances and to demonstrate the COE's accountability for money it receives. If you have any questions about this report, or need additional financial information, contact Violette Begley, Director of Fiscal Services, 935 14th Street, Marysville, CA 95901 (530) 749-4900.

YUBA COUNTY OFFICE OF EDUCATION

STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Business-Type		Total
	Activities	Activities	
<i>(Amounts in thousands)</i>			
<b>ASSETS</b>			
Deposits and investments	\$ 8,905	\$ 6	\$ 8,911
Accrued receivables	8,069	-	8,069
Note receivable	78	-	78
Capital assets, not depreciable	1,338	-	1,338
Capital assets, depreciable, net	10,152	1,298	11,450
<b>Total Assets</b>	<b>28,542</b>	<b>1,304</b>	<b>29,846</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,250</b>	<b>10</b>	<b>5,260</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
	<b>\$ 33,792</b>	<b>\$ 1,314</b>	<b>\$ 35,106</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 4,310	\$ 5	\$ 4,315
Unearned revenue	288	-	288
Long-term obligations, current portion	401	-	401
Long-term obligations, non-current	22,898	56	22,954
<b>Total Liabilities</b>	<b>27,897</b>	<b>61</b>	<b>27,958</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,057</b>	<b>3</b>	<b>1,060</b>
<b>NET POSITION</b>			
Net investment in capital assets	9,884	1,298	11,182
Restricted for			
Educational programs	1,051	-	1,051
Unrestricted - (Deficit)	(6,097)	(48)	(6,145)
<b>Total Net Position</b>	<b>4,838</b>	<b>1,250</b>	<b>6,088</b>
<b>TOTAL LIABILITIES, INFLOWS OF RESOURCES, AND NET POSITION</b>			
	<b>\$ 33,792</b>	<b>\$ 1,314</b>	<b>\$ 35,106</b>

The accompanying notes are an integral part of these financial statements

YUBA COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Function/Programs	Program Revenues				Net (Expenses), Revenues, and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants	Gov. Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
Instruction	\$ 10,965	\$ 1,604	\$ 5,301	\$ 2,078	\$ (1,982)		
Instruction-related services							
Instructional supervision and administration	2,568	327	1,072	-	(1,169)		
School site administration	1,045	74	192	-	(779)		
Pupil services							
Food services	16	0	1	-	(15)		
All other pupil services	3,918	569	2,617	-	(732)		
General administration							
Centralized data processing	641	-	-	-	(641)		
All other general administration	2,284	181	650	-	(1,453)		
Plant services	905	67	170	-	(668)		
Community services	1,069	75	933	-	(61)		
Enterprise activities	310	-	-	-	(310)		
Interest on long-term debt	66	-	-	-	(66)		
Transfer to other agencies	9,706	1,408	7,561	-	(737)		
Depreciation (unallocated)	397	-	-	-	(397)		
<b>Total Governmental Activities</b>	<b>33,890</b>	<b>4,305</b>	<b>18,497</b>	<b>2,078</b>	<b>(9,010)</b>		
<b>BUSINESS-TYPE ACTIVITIES</b>							
Enterprise activities	212	-	-	-		(212)	
<b>Total Entity</b>	<b>\$ 34,102</b>	<b>\$ 4,305</b>	<b>\$ 18,497</b>	<b>\$ 2,078</b>	<b>(9,010)</b>	<b>\$ (212)</b>	<b>\$ (9,222)</b>
General revenues							
Taxes and subventions							
Property taxes, levied for general purposes							
					3,196	-	3,196
Federal and state aid not restricted for specific purposes							
					6,084	-	6,084
Interest and investment earnings							
					252	-	252
Interagency revenues							
					359	-	359
Miscellaneous							
					715	42	757
<b>Subtotal, General Revenue</b>					<b>10,606</b>	<b>42</b>	<b>10,648</b>
<b>Excess (Deficiency) of Revenues Over Expenses Before Transfers</b>							
					<b>1,596</b>	<b>(170)</b>	<b>1,426</b>
Special and extraordinary items							
					-	276	276
Internal transfers							
					(135)	135	-
<b>Total Transfers &amp; Special Items</b>					<b>(135)</b>	<b>411</b>	<b>276</b>
<b>CHANGE IN NET POSITION</b>					<b>1,461</b>	<b>241</b>	<b>1,702</b>
<b>Net Position - Beginning (Restated)</b>					<b>3,377</b>	<b>1,009</b>	<b>4,386</b>
<b>Net Position - Ending</b>					<b>\$ 4,838</b>	<b>\$ 1,250</b>	<b>\$ 6,088</b>

The accompanying notes are an integral part of these financial statements

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

YUBA COUNTY OFFICE OF EDUCATION

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019

	County School Services Fund	Charter School Special Revenue Fund	Special Education Pass- Through Fund
<b>ASSETS</b>			
Deposits and investments	\$ 2,493,798	\$ 1,311,436	\$ 319,984
Accrued receivables	2,759,089	25,097	2,812,625
Due from other funds	345,196	13,707	269,519
<b>Total Assets</b>	<b>\$ 5,598,083</b>	<b>\$ 1,350,240</b>	<b>\$ 3,402,128</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 954,156	\$ 81,986	\$ 3,118,284
Due to other funds	284,181	309,842	-
Unearned revenue	125,519	-	-
<b>Total Liabilities</b>	<b>1,363,856</b>	<b>391,828</b>	<b>3,118,284</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	-	-	-
<b>FUND BALANCES</b>			
Non-spendable	3,001	-	-
Spendable			
Restricted	731,138	98,794	210,000
Committed	-	-	-
Assigned	1,405,051	859,618	73,844
Unassigned	2,095,037	-	-
<b>Total Fund Balances</b>	<b>4,234,227</b>	<b>958,412</b>	<b>283,844</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,598,083</b>	<b>\$ 1,350,240</b>	<b>\$ 3,402,128</b>

The accompanying notes are an integral part of these financial statements

<b>Deferred Maintenance Fund</b>	<b>County School Facilities Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,931,500	\$ 199,381	\$ 1,323,569	\$ 7,579,668
10,836	2,256,319	194,381	8,058,347
-	-	189	628,611
<b>\$ 1,942,336</b>	<b>\$ 2,455,700</b>	<b>\$ 1,518,139</b>	<b>\$ 16,266,626</b>
\$ 470	\$ 102,953	\$ 34,218	\$ 4,292,067
-	-	35,354	629,377
-	-	162,635	288,154
470	102,953	232,207	5,209,598
-	2,077,935	-	2,077,935
-	-	-	3,001
-	-	11,419	1,051,351
1,941,866	-	38,978	1,980,844
-	274,812	1,235,535	3,848,860
-	-	-	2,095,037
1,941,866	274,812	1,285,932	8,979,093
<b>\$ 1,942,336</b>	<b>\$ 2,455,700</b>	<b>\$ 1,518,139</b>	<b>\$ 16,266,626</b>

YUBA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2019

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*(Amounts in thousands)*

**Total Fund Balance - Governmental Funds**

\$ 8,979

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:

	Note receivable		
	Capital assets	\$ 17,843	
	Accumulated depreciation	(6,353)	11,490

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Unmatured interest on long-term debt:

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

(10)

Deferred recognition of earned but unavailable revenues:

In governmental funds, revenue is recognized only to the extent that it is "available," meaning it will be collected soon enough after the end of the period to finance expenditures of that period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred in governmental funds, but are recognized in the government-wide statements, is:

2,159

The accompanying notes are an integral part of these financial statements

YUBA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, Continued  
 JUNE 30, 2019

(Amounts in thousands)

Long-term obligations:

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:

Net pension liability	18,850	
Net OPEB obligation, Cal STRS	55	
Compensated absences	89	
Capital leases payable	151	
Lease purchase bonds payable	1,466	
Deferred loss on debt refunding	(44)	(20,567)

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	5,206
Deferred inflows of resources	(1,057)

Internal service funds:

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

(1,362)

<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b>4,838</b>
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YUBA COUNTY OFFICE OF EDUCATION

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

	County School Services Fund	Charter School Special Revenue Fund	Special Education Pass- Through Fund
<b>REVENUES</b>			
Local Control Funding Formula ("LCFF") Sources	\$ 5,832,268	\$ 2,897,977	\$ -
Federal sources	3,521,068	-	2,827,702
Other State sources	3,821,119	338,690	6,430,357
Other local sources	6,745,743	172,897	15,617
<b>Total Revenues</b>	<b>19,920,198</b>	<b>3,409,564</b>	<b>9,273,676</b>
<b>EXPENDITURES</b>			
Current			
Instruction	8,557,362	2,080,462	-
Instruction-related services			
Instructional supervision and administration	2,135,324	355,523	-
School site administration	568,123	429,236	-
Pupil services			
Home-to-school transportation	-	-	-
Food services	6,292	7,585	-
All other pupil services	3,519,287	226,279	-
General administration			
Centralized data processing	590,337	-	-
All other general administration	2,029,059	3,014	-
Plant services	587,640	236,583	-
Community services	41,920	-	-
Enterprise activities	300,198	-	-
Transfers to other agencies	417,318	-	9,258,059
Facilities acquisition and construction	-	-	-
Debt service			
Interest and other	9,214	-	-
Principal	49,000	-	-
<b>Total Expenditures</b>	<b>18,811,074</b>	<b>3,338,682</b>	<b>9,258,059</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,109,124</b>	<b>70,882</b>	<b>15,617</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	5,380	-	-
Other Sources	15,000	-	-
Transfers Out	(2,840,000)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(2,819,620)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,710,496)</b>	<b>70,882</b>	<b>15,617</b>
<b>Fund Balance - Beginning</b>	<b>5,944,723</b>	<b>887,530</b>	<b>268,227</b>
<b>Fund Balance - Ending</b>	<b>\$ 4,234,227</b>	<b>\$ 958,412</b>	<b>\$ 283,844</b>

The accompanying notes are an integral part of these financial statements

Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 160,000	\$ -	\$ -	\$ 8,890,245
-	-	202,183	6,550,953
-	-	620,357	11,210,523
43,232	11,440	298,644	7,287,573
203,232	11,440	1,121,184	33,939,294
-	-	-	10,637,824
-	-	-	2,490,847
-	-	-	997,359
-	-	-	-
-	-	-	13,877
-	-	-	3,745,566
-	-	-	590,337
-	-	61,245	2,093,318
51,044	-	-	875,267
-	-	992,032	1,033,952
-	-	-	300,198
-	-	30,484	9,705,861
-	2,081,777	-	2,081,777
-	-	48,782	57,996
-	-	339,375	388,375
51,044	2,081,777	1,471,918	35,012,554
152,188	(2,070,337)	(350,734)	(1,073,260)
-	2,350,000	355,000	2,710,380
-	-	3,000	18,000
-	-	(5,380)	(2,845,380)
-	2,350,000	352,620	(117,000)
152,188	279,663	1,886	(1,190,260)
1,789,678	(4,851)	1,284,046	10,169,353
\$ 1,941,866	\$ 274,812	\$ 1,285,932	\$ 8,979,093

**YUBA COUNTY OFFICE OF EDUCATION**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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*(Amounts in thousands)*

**Net Change in Fund Balances - Governmental Funds** \$ (1,190)

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:	2,097	
	Depreciation expense:	(397)	1,700

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Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

388

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(15)

Earned but unavailable revenues:

In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the governmental-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period, less revenues that became available in the current period but related to a prior period, is:

2,075

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

3

The accompanying notes are an integral part of these financial statements

YUBA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES,  
Continued  
FOR THE YEAR ENDED JUNE 30, 2019

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*(Amounts in thousands)*

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:

(12)

Pensions:

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

(1,370)

Cal STRS 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:

1

Amortization of debt issue premium or discount or deferred gain  
or loss from debt refunding:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:

(11)

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:

(108)

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**Change in net position of Governmental Activities**

**\$ 1,461**

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The accompanying notes are an integral part of these financial statements

YUBA COUNTY OFFICE OF EDUCATION

PROPRIETARY FUNDS  
 STATEMENTS OF NET POSITION  
 JUNE 30, 2019

	<b>Business-Type Activities Enterprise Funds</b>	<b>Governmental Activities Internal Service Funds</b>
	<b>Other</b>	<b>Self-Insurance</b>
<b>ASSETS</b>		
Current assets		
Deposits and investments	\$ 6,196	\$ 1,324,906
Accrued receivables	-	7,942
Due from other funds	-	766
<b>Total current assets</b>	<b>6,196</b>	<b>1,333,614</b>
Non-current assets, depreciable	1,298,208	-
<b>TOTAL ASSETS</b>	<b>1,304,404</b>	<b>1,333,614</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>10,000</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED     OUTFLOWS OF RESOURCES</b>	<b>\$ 1,314,404</b>	<b>\$ 1,333,614</b>
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities	\$ 4,827	\$ 7,448
Non-current liabilities	56,000	2,688,000
<b>Total Liabilities</b>	<b>60,827</b>	<b>2,695,448</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,000</b>	<b>-</b>
<b>NET POSITION</b>		
Invested in capital assets	1,298,208	-
Unrestricted - (Deficit)	(47,631)	(1,361,834)
<b>Total Net Position</b>	<b>1,250,577</b>	<b>(1,361,834)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF     RESOURCES, AND NET POSITION</b>	<b>\$ 1,314,404</b>	<b>\$ 1,333,614</b>

The accompanying notes are an integral part of these financial statements

YUBA COUNTY OFFICE OF EDUCATION

**PROPRIETARY FUNDS  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
	<b>Other</b>	<b>Self-Insurance</b>
<b>OPERATING REVENUE</b>		
Fee revenue	\$ 42,575	\$ 178,866
<b>OPERATING EXPENSE</b>		
Certificated salaries	22,490	-
Classified salaries	17,050	-
Benefits	19,789	-
Supplies and materials	1,635	-
Professional services	117,939	317,566
Depreciation	33,287	-
<b>Total operating expenses</b>	<b>212,190</b>	<b>317,566</b>
<b>OPERATING GAIN/(LOSS)</b>	<b>(169,615)</b>	<b>(138,700)</b>
<b>NON-OPERATING REVENUES</b>		
Interest income	-	31,284
Transfers in	135,000	-
Special and extraordinary items	276,000	-
<b>Total non-operating revenues</b>	<b>411,000</b>	<b>31,284</b>
<b>CHANGE IN NET POSITION</b>	<b>241,385</b>	<b>(107,416)</b>
<b>Net Position - Beginning</b>	<b>1,009,192</b>	<b>(1,254,418)</b>
<b>Net Position - Ending</b>	<b>\$ 1,250,577</b>	<b>\$ (1,361,834)</b>

The accompanying notes are an integral part of these financial statements

YUBA COUNTY OFFICE OF EDUCATION

PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Funds</b>	<b>Internal Service Funds</b>
	<b>Other</b>	<b>Self-Insurance</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers/assessments	\$ 43,863	\$ 179,740
Cash payments for insurance	-	(75,349)
Cash payments to employees for services	(65,923)	-
Cash payments to suppliers for goods and services	(117,412)	-
Net cash provided/(used) by operating activities	(139,472)	104,391
<b>Cash flows from non-capital financing activities</b>		
Interfund transfers in	135,000	-
Net cash provided by non-capital financing activities	135,000	-
<b>Cash flows from investing activities</b>		
Interest received	-	25,342
NET INCREASE/(DECREASE) IN CASH	(4,472)	129,733
<b>CASH</b>		
Beginning of year	10,668	1,195,173
End of year	\$ 6,196	\$ 1,324,906
<b>Reconciliation of operating loss to cash used in operating activities</b>		
Operating loss	\$ (169,615)	\$ (138,700)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Cash flows reported in other categories:		
Depreciation expense	33,287	-
Increase in accounts receivable	1,288	549
Increase in due from other funds	-	325
Decrease in accounts payable	(3,137)	(12,542)
Decrease in compensated absence	(1,295)	-
Increase in due to other funds	-	(3,241)
Increase in net OPEB	-	258,000
Net cash provided/(used) by operating activities	\$ (139,472)	\$ 104,391

The accompanying notes are an integral part of these financial statements

YUBA COUNTY OFFICE OF EDUCATION

FIDUCIARY FUNDS  
STATEMENTS OF NET POSITION  
JUNE 30, 2019

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	Warrant/Pass- through Agency Fund	ASB Agency Funds
<b>ASSETS</b>		
Deposits and investments	\$ 3,662,299	\$ 7,208
Accrued receivables	77,865	-
<b>Total Assets</b>	<b>3,740,164</b>	<b>7,208</b>
<b>LIABILITIES</b>		
Due to other agencies/student groups	\$ 3,740,164	\$ 7,208

The accompanying notes are an integral part of these financial statements

# YUBA COUNTY OFFICE OF EDUCATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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### *NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

#### **1 - A. Financial Reporting Entity**

The Yuba County Office of Education (“COE”), also known as a Local Educational Agency (“LEA”), is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member County Board of Education (Board) elected by registered voters of the COE, which comprises an area in Yuba County. The COE was established in 1852 and serves students in pre K – 12 curriculum, ages 3 – 22.

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 COE consists of all funds, departments, and agencies that are not legally separate from the COE. For Yuba County Office of Education, this includes general operations and student related activities of the COE.

#### **1 - B. Component Unit**

Component units are legally separate organizations for which the COE is financially accountable. Component units may also include organizations that are fiscally dependent on the COE, in that the COE 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 COE is not financially accountable but the nature and significance of the organization's relationship with the COE is such that exclusion would cause the COE's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus are included in the financial statements of the COE. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the COE's operations because the governing board of the component units is essentially the same as the governing board of the COE and because their purpose is to finance the construction of facilities to be used for the direct benefit of the COE.

The Yuba County Board of Education Financing Corporation (the “Corporation”) financial activity is presented in the financial statements as the Debt Service Fund. The Certificates of Participation issued by the Corporation are included as long-term liabilities in the entity-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

#### **1 - C. Other Related Entities**

**Joint Powers Authority (JPA).** The COE is associated with three JPAs. These organizations do not meet the criteria for inclusion as a component unit of the COE. Additional information is presented in Note 13 to the financial statements. These organizations are:

- ❖ North Valley Schools Insurance Group (NSIG)
- ❖ Tri-County Schools Insurance Group(TCSIG)
- ❖ Schools Excess Liabilities Fund (SELF)

**1 - D. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the COE) and its component units. 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 COE'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 COE.

**Fund Financial Statements.** The fund financial statements provide information about the COE's funds, including its 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 LEA, 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 LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

**Major Governmental Funds**

**County School Services Fund (“general fund”).** The general fund is the main operating fund of the LEA. 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 an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

**Charter Schools Special Revenue Fund.** This fund may be used by authorizing LEAs to account separately for the activities of LEA-operated charter schools that would otherwise be reported in the authorizing LEA's general fund. If an LEA uses this fund for any of a charter school's operating activities, it should use this fund for all of the charter school's operating activities.

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

## YUBA COUNTY OFFICE OF EDUCATION

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2019

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**Deferred Maintenance Fund.** This fund is used to account separately for state apportionments and the LEA'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 COE may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the COE (Education Code sections 17582 and 17583).

**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), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D) or the 2016 State School Facilities Fund (Proposition 51). The fund is used primarily to account 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 17070.10 et seq.).

#### Non-Major Governmental Funds

**Special Revenue Funds** are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund:

**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 an LEA 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).

**Forest Reserve Fund (county offices).** This fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school COEs and community college COEs (*Education Code* Section 2300; *Government Code* Section 29484).

**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).

**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).

**Debt Service Funds.** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Debt Service Fund.** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

#### Proprietary Funds

**Enterprise Funds.** An enterprise fund is accounted for on the accrual basis. Capital assets and long-term debt (including all long-term debt obligations such as vacation pay and capital leases) are recorded in the fund. All revenues and expenses (rather than expenditures) are recorded, regardless of when they are received or paid. Depreciation of capital assets is recorded.

## YUBA COUNTY OFFICE OF EDUCATION

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2019

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**Other Enterprise Fund.** The COE accounts for child development preschool program using an enterprise fund, because it is financed through collection of fees for the services provided. The fund reports expenditures and revenues related to the child development center activities outside of the normal operation of the COE.

**Internal Service Funds.** Internal service funds are created principally to render services to other organizational units of the LEA 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 an LEA. 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). The COE self-insures for their other postemployment benefits liability.

#### **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 LEA'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.

**Warrant/Pass-Through 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. It is also used to account for those receipts for transfer to agencies for which the LEA is acting simply as a "cash conduit."

**Student Body Fund.** The Student Body Fund is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code* sections 48930–48938).

#### **1 - E. Basis of Accounting**

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

## YUBA COUNTY OFFICE OF EDUCATION

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2019

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**Governmental Funds.** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The COE considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the COE receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Revenues – Exchange and Non-Exchange Transactions.** The Local Control Funding Formula (“LCFF”) and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the LCFF is made and the COE's actual tax receipts, as reported by the county auditor, is subtracted the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded.

The COE recognizes property tax revenues actually received as reported on California Department of Education (“CDE”)’s Principal Apportionment Data Collection Software, used by county offices of education and county auditors to report school COE and county taxes. The COE makes no accrual for property taxes receivable as of June 30.

The COE receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is recorded as a liability, and revenue is reduced to the amount that has been expended.

The COE also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

**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 COE prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the COE has a legal claim to the resources, the liability for unearned revenue is removed from the combined 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.

## YUBA COUNTY OFFICE OF EDUCATION

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2019

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

**Operating Revenues and Expenses.** Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses result from transactions directly associated with the fund's principal services.

**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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

**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.

#### **1 - F. Assets, Liabilities, and Net Position**

**Fair Value.** The COE categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The COE has the following recurring fair value measurements as of June 30, 2019:

- ❖ Cash in county of \$12.6 million are valued using quoted market prices (Level 1 inputs)

**Acquisition Value.** The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

**Deposits and Investments.** The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2019, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. The COE considers these balances to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent. The COE considers the deposits and investments in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
JUNE 30, 2019

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The COE categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets.

**Capital Assets.** Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The COE maintains a capitalization threshold of \$30,000. The COE does not possess any infrastructure. 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50
Site Improvements	20
Equipment	5 – 20
Equipment	5 – 20
Vehicles	8

**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.

**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 the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

**Pensions.** For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the CA State Teachers Retirement System ("STRS") and CA Public Employee Retirement System Pension Plan ("PERS") and additions to/deductions from the respective fiduciary net positions have been determined on the same basis as they are reported by STRS and PERS. 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.

**Accrued Liabilities and Long-Term Obligations.** All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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.

However, claims and judgments and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

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

## YUBA COUNTY OFFICE OF EDUCATION

### NOTES TO FINANCIAL STATEMENTS, Continued JUNE 30, 2019

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**Fund Balance.** Fund balance is divided into five classifications based primarily on the extent to which the COE 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. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

*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.

*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 COE 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.

**Net Position.** Net Position represents the difference of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Position invested in capital assets, net of related debt 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 COE has related debt outstanding as of June 30, 2019. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the COE or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The COE first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The entity-wide financial statements report \$1.1 million of restricted net position.

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

1 - G. Stewardship, Compliance, and Accountability

**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 District 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.

**Budgetary Expenditures in Excess of Appropriations**

	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
<b>Special Education Pass-Through Fund</b>	\$ 8,821,255	\$ 9,258,059	\$ (436,804)
<b>Forest Reserve Fund</b>	\$ 7,700	\$ 35,864	\$ (28,164)
<b>County School Facilities Fund</b>	\$ 2,078,485	\$ 2,081,777	\$ (3,292)
<b>Self-Insurance Fund</b>	\$ 95,000	\$ 317,566	\$ (222,566)

1 - H. New Accounting Pronouncements

The Governmental Accounting Standards Board (“GASB”) has issued the following standards:

- ❖ GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.
- ❖ GASB Statement No. 87, *Leases*. Effective Date: For reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

For specific details about the standards, please see [www.gasb.org](http://www.gasb.org).

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
JUNE 30, 2019

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**NOTE 2- DEPOSITS AND INVESTMENTS**

**2 - A. Summary of Deposits and Investments**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Deposits in financial institutions	\$ 3,001	\$ -	\$ 7,208	\$ 10,209
Cash in County	8,901,573	6,196	3,662,299	12,570,068
<b>Total</b>	<b>\$ 8,904,574</b>	<b>\$ 6,196</b>	<b>\$ 3,669,507</b>	<b>\$ 12,580,277</b>

**2 - B. Policies and Practices**

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

**Investment in County Treasury** – The COE is considered to be an involuntary participant in an external investment pool as the COE is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the COE's investment in the pool is reported in the accounting financial statements at amounts based upon the COE'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.

**YUBA COUNTY OFFICE OF EDUCATION**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2019**

**2 - C. General Authorizations**

Allowable investment instruments per Government Code §§ 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638.

<b>INVESTMENT TYPE</b>	<b>MAXIMUM MATURITY</b>	<b>MAXIMUM SPECIFIED % OF PORTFOLIO</b>	<b>MINIMUM QUALITY REQUIREMENTS</b>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations— CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper— Pooled Funds	270 days	40% of the agency's money	Highest letter and number rating by an NRSROH
Commercial Paper— Non-Pooled Funds	270 days	25% of the agency's money	Highest letter and number rating by an NRSROH
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30%	None
Placement Service Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	"A" rating category or its equivalent or better
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" rating category or its equivalent or better R
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" rating category or its equivalent or better

**2 - 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 COE manages its exposure to interest rate risk by investing in the county pool. See "Specific Identification" for various maturities of the COE's investments.

**2 - 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 underlying investments owned by the COE are listed in "Specific Identification."

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
JUNE 30, 2019

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**2 - F. Specific Identification**

Information about the sensitivity of the fair values of the COE's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the COE's investments by maturity:

<u>Investment Type:</u>	<u>S &amp; P Rating</u>	<u>Maturity (Days)</u>	<u>Reported Value</u>	<u>Fair Market Value</u>
Cash in county	A - AAA	231	\$ 12,570,068	\$ 12,634,816

**2 - G. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the COE's deposits may not be returned to it. The COE does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the COE's bank balance of \$11,273 was insured.

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**NOTE 3 – ACCRUED RECEIVABLES/NOTE RECEIVABLE**

**3 - A. Accrued Receivables**

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	County School Services Fund	Charter School Special Revenue Fund	Special Education Pass- Through Fund	Def. Maint. Fund	County School Facilities Fund	Non-Major Govt. Funds
Federal Government						
Categorical aid	\$ 742,872	\$ 3,189	\$ 2,810,386	\$ -	\$ -	\$ 48,551
State Government						
Categorical aid	1,257,665	15,089	-	-	2,253,573	-
Other Government						
WIA/WIAO	680,874	-	-	-	-	-
Interest	16,882	6,819	2,239	10,836	2,746	7,478
Other Local Sources	60,796	-	-	-	-	138,352
<b>Total</b>	<b>\$ 2,759,089</b>	<b>\$ 25,097</b>	<b>\$ 2,812,625</b>	<b>\$ 10,836</b>	<b>\$ 2,256,319</b>	<b>\$ 194,381</b>

	Self- Insurance	Warrant/ District-wide Pass-through Agency Fund
Other Government		
Interest	\$ -	\$ 10,788
Other Local Sources	7,942	67,077
<b>Total</b>	<b>\$ 7,942</b>	<b>\$ 77,865</b>

**3 - B. Note Receivable**

On February 22, 2016, the COE sold a parcel of land and a building for \$106,320, where \$91,200 is to be received in monthly installments of \$577, plus interest at a rate of 4.5% per annum. The payments are to conclude on February 22, 2026 at which point the balance is to be paid off, which is scheduled to be \$55,671. As of June 30, 2019, the non-current balance was \$78,000 recorded in note receivable in the entity-wide statement of net position.

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

<i>(Amounts in thousands)</i>	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 770	\$ -	\$ -	\$ 770
Construction in progress	180	2,082	1,694	568
<b>Non-Depreciable Capital Assets</b>	<b>\$ 950</b>	<b>\$ 2,082</b>	<b>\$ 1,694</b>	<b>\$ 1,338</b>
Capital assets being depreciated				
Land improvements	\$ 628	\$ -	\$ -	\$ 628
Buildings & improvements	13,528	1,694	-	15,222
Furniture & equipment	640	15	-	655
Total Capital Assets Being Depreciated	14,796	1,709	-	16,505
Less Accumulated Depreciation				
Land improvements	144	30	-	174
Buildings & improvements	5,431	302	-	5,733
Furniture & equipment	381	65	-	446
Total Accumulated Depreciation	5,956	397	-	6,353
<b>Depreciable Capital Assets, net</b>	<b>\$ 8,840</b>	<b>\$ 1,312</b>	<b>\$ -</b>	<b>\$ 10,152</b>
<b>Total Capital Assets, net</b>	<b>\$ 9,790</b>	<b>\$ 3,394</b>	<b>\$ 1,694</b>	<b>\$ 11,490</b>

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
<b>Business-Type Activities</b>				
Capital assets being depreciated				
Buildings & improvements	\$ 1,664	\$ -	\$ -	\$ 1,664
Less Accumulated Depreciation				
Buildings & improvements	333	33	-	366
<b>Depreciable Capital Assets, net</b>	<b>\$ 1,331</b>	<b>\$ (33)</b>	<b>\$ -</b>	<b>\$ 1,298</b>

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**NOTE 5 – INTERFUND TRANSACTIONS**

**5 - A. Interfund Receivables/Payables (Due From/Due To)**

Due To Other Funds	Due From Other Funds					Total
	County School Services Fund	Charter School Fund	Special Education Pass-Through	Non-Major Govt. Funds	Self-Insurance	
County School Services Fund	\$ -	\$ 13,707	\$ 269,519	\$ 189	\$ 766	\$ 284,181
Charter Schools						
Special Revenue Fund	309,842	-	-	-	-	309,842
Non-Major Funds	35,354	-	-	-	-	35,354
<b>Total Due From Other Fund</b>	<b>\$ 345,196</b>	<b>\$ 13,707</b>	<b>\$ 269,519</b>	<b>\$ 189</b>	<b>\$ 766</b>	<b>\$ 629,377</b>

The County School Services Fund owes the Charter School Fund for CTE/Career Tech	\$ 13,707
The County School Services Fund owes the Special Ed. Pass-through Fund for Mental Health paymen	269,519
The County School Services Fund owes the Child Development Fund for postage and copier costs	189
The County School Services Fund owes the Self-Insurance Fund for premiums	766
The Charter School Fund owes the County School Services Fund for admin, program indirect, maintenance and insurance adjustments	309,842
The Child Development Fund owes the County School Services Fund for indirect cost and facilities in the amount of	29,974
The Forest Reserve Fund owes County School Services Fund for timber yield	5,380
<b>Total</b>	<b>\$ 629,377</b>

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

5 - B. Operating Transfers

Transfer To Other Funds	Interfund Transfers In				Total
	County School Services Fund	County School Facilities Fund	Non-Major Govt. Funds	Other Enterprise Fund	
County School Services Fund	\$ -	\$ 2,350,000	\$ 355,000	\$ 135,000	\$ 2,840,000
Non-Major Funds	5,380	-	-	-	5,380
<b>Total Interfund Transfers Out</b>	<b>\$ 5,380</b>	<b>\$ 2,350,000</b>	<b>\$ 355,000</b>	<b>\$ 135,000</b>	<b>\$ 2,845,380</b>

The County School Services Fund transferred construction costs to the County School Facilities Fund, which will be transferred back once the state distributes the school bond money	\$ 2,350,000
The County School Services Fund transferred to the Debt Service Fund for the lease-purchase payment in the amount of	355,000
The County School Services Fund transferred to the Other Enterprise Fund for program support in the amount of	135,000
The Forest Reserve Fund transferred to the County School Services Fund federal timber yield funds in the amount of	5,380
<b>Total</b>	<b>\$ 2,845,380</b>

**NOTE 6- ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2019, consisted of the following:

	County School Services Fund	Charter School Fund	Special Education Pass-Through Fund	Def. Maint. Fund	County School Facilities Fund	Non-Major Govt. Funds	Self-Insurance	District-Wide	Total Govt. Activities	Other Enterprise Fund
Payroll and related	\$ 590,886	\$ 6,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 597,756	\$ 296
Compensated absence	25,310	3,909	-	-	-	2,025	-	-	31,244	302
L.CFF overpayment	68,234	-	-	-	-	-	-	-	68,234	-
Vendors payable	163,283	4,034	-	470	102,953	1,709	7,448	-	279,897	4,229
Due to districts, charters, and pass-throughs	106,443	67,173	3,118,284	-	-	30,484	-	-	3,322,384	-
Interest payable	-	-	-	-	-	-	-	10,000	10,000	-
<b>Total</b>	<b>\$ 954,156</b>	<b>\$ 81,986</b>	<b>\$3,118,284</b>	<b>\$ 470</b>	<b>\$ 102,953</b>	<b>\$ 34,218</b>	<b>\$ 7,448</b>	<b>\$ 10,000</b>	<b>\$4,309,515</b>	<b>\$ 4,827</b>

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**NOTE 7 – UNEARNED REVENUE**

The COE periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The unearned revenue totals at June 30, 2019, consist of the following:

	County School Services Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 70,940	\$ -	\$ 70,940
State categorical sources	18,634	146,841	165,475
Local deferrals	35,945	15,794	51,739
<b>Total</b>	<b>\$ 125,519</b>	<b>\$ 162,635</b>	<b>\$ 288,154</b>

**NOTE 8 – LONG-TERM OBLIGATIONS**

**8 - A. Long-Term Obligations Summary**

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
<i>(Amounts in thousands)</i>					
<b>Governmental Activities</b>					
Lease-purchase agreement	\$ 1,805	\$ -	\$ 339	\$ 1,466	\$ 350
Net pension liabilities ("NPL")					
Cal STRS	8,079	236	-	8,315	-
Cal PERS	9,225	1,310	-	10,535	-
<b>Total NPL</b>	<b>17,304</b>	<b>1,546</b>	<b>-</b>	<b>18,850</b>	<b>-</b>
Compensated absences	77	12	-	89	-
Net OPEB obligations	2,491	258	6	2,743	-
Capital leases	185	15	49	151	51
<b>Total</b>	<b>\$ 21,862</b>	<b>\$ 1,831</b>	<b>\$ 394</b>	<b>\$ 23,299</b>	<b>\$ 401</b>
<b>Business-Type Activities</b>					
Net pension liabilities ("NPL")					
Cal STRS	\$ 265	\$ -	\$ 242	\$ 23	\$ -
Cal PERS	156	-	123	33	-
<b>Total NPL</b>	<b>421</b>	<b>-</b>	<b>365</b>	<b>56</b>	<b>-</b>
Compensated absences	1	-	1	-	-
<b>Total</b>	<b>\$ 422</b>	<b>\$ -</b>	<b>\$ 366</b>	<b>\$ 56</b>	<b>\$ -</b>

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
JUNE 30, 2019

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**8 - B. Lease-Purchase Agreement (COP Advanced Refunding)**

On August 1, 2014, the COE entered into a lease-purchase agreement in the amount of \$3,100,000 with an average coupon interest rate of 2.835% to advance refund COPs bonds with an interest rate of between 2.0% and 4.5%. The COPs mature on April 1, 2023, and are callable on August 1, 2014. The lease-purchase agreement was issued at par and, after paying issuance costs of \$47,455, the net proceeds were \$3,052,545. The net proceeds from the issuance of the lease-purchase agreement were used to call the COPs on August, 1, 2014.

As a result of the advance refunding, the COE reduced its total debt service requirements by \$196,640, however, resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$100,000.

The annual requirements to amortize the lease-purchase agreement outstanding as of June 30, 2019, are as follows (*\$ amounts in thousands*):

<u>Year Ending June 30,</u>	<u>Payments</u>
2020	\$ 389
2021	389
2022	393
2023	390
Total payments	1,561
Less amount representing interest	(95)
Present value of payments	\$ 1,466

**8 - C. Pension Liabilities**

The COE's pension activities between the COE and the retirement systems for the year ended June 30, 2019, resulted in a total net pension obligation for the COE of \$18.9 million for governmental activities and \$0.6 million in business-type activities. See Note 10 for additional information regarding the pension plans and activities.

**8 - D. Other Post-Employment Benefits (“OPEB”)**

The COE is responsible for two OPEB plans, one the COE offered and one due to GASB No. 75, offered by Cal STRS. For the year ended June 30, 2019, this resulted in a total OPEB obligations of \$2.7 million. See Note 11 for additional information regarding the pension plans and activities.

**8 - E. Compensated Absences**

The long-term portion of accumulated unpaid employee vacation for the COE at June 30, 2019, amounted to \$89,000 in governmental activities.

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
JUNE 30, 2019

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8 - F. Capital Leases

The District leases cars with a historical cost and accumulated depreciation of \$325,000 and \$116,000, respectively, under capital lease arrangements. Future minimum lease payments at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2020	\$ 58
2021	57
2022	36
2023	13
<hr/>	
Total payments	164
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Less amount representing interest	(13)
<hr/>	
Present value of payments \$	151
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YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**NOTE 9 – FUND BALANCES**

Fund balances are composed of the following elements:

	County School Services Fund	Charter School Fund	Special Education Pass- Through Fund	Deferred Maint. Fund	County School Facilities Fund	Non-Major Govt. Funds	Total Govt. Funds
Non-spendable							
Reserve for revolving cash	\$ 3,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,001
Spendable							
Restricted							
Educational programs							
Federal	235,034	-	-	-	-	-	235,034
State	228,083	98,794	210,000	-	-	-	536,877
Local	268,021	-	-	-	-	11,419	279,440
Total Restricted	731,138	98,794	210,000	-	-	11,419	1,051,351
Committed							
Deferred maintenance	-	-	-	1,941,866	-	-	1,941,866
Facility contribution	-	-	-	-	-	38,978	38,978
Total Committed	-	-	-	1,941,866	-	38,978	1,980,844
Assigned							
Debt service payment	-	-	-	-	-	650,000	650,000
Maintenance and repair	-	-	-	-	-	234,540	234,540
Communication and security	-	-	-	-	-	170,000	170,000
Technology	300,000	-	-	-	-	-	300,000
Lottery	161,047	126,833	-	-	-	-	287,880
Program designation	944,004	732,785	73,844	-	274,812	-	2,025,445
Child development	-	-	-	-	-	180,868	180,868
Forest reserve	-	-	-	-	-	127	127
Total Assigned	1,405,051	859,618	73,844	-	274,812	1,235,535	3,848,860
Unassigned	2,095,037	-	-	-	-	-	2,095,037
<b>Total</b>	<b>\$ 4,234,227</b>	<b>\$ 958,412</b>	<b>\$ 283,844</b>	<b>\$ 1,941,866</b>	<b>\$ 274,812</b>	<b>\$ 1,285,932</b>	<b>\$ 8,979,093</b>

The COE 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 COE’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than one month payroll of general fund operating expenditures and 5 percent of County School Services Fund expenditures and other financing uses.

**NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS**

**10 - A. California State Teachers' Retirement System ("CalSTRS")**

**Plan Description.** CalSTRS administers a hybrid retirement system consisting of a defined benefit plan, two defined contribution plans, a postemployment benefit plan, and a fund used to account for ancillary activities associated with various deferred compensation plans and programs:

- ❖ State Teachers' Retirement Plan ("STRP")
- ❖ CalSTRS Pension 2® Program (Internal Revenue Code 403(b) and 457(b) plans)
- ❖ Teachers' Health Benefits Fund ("THBF")
- ❖ Teachers' Deferred Compensation Fund ("TDCF")

CalSTRS provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code § 22000 et seq.), as enacted and amended by the California Legislature, established these plans and CalSTRS as the administrator. The terms of the plans may be amended through legislation.

The STRP is a multiple employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit ("DB") Program, Defined Benefit Supplement ("DBS") Program, Cash Balance Benefit ("CBB") Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. CalSTRS issues a publicly available financial report that can be obtained at <https://www.calstrs.com/comprehensive-annual-financial-report>.

**Benefits Provided.** The STRP DB Program has two benefit formulas:

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

The 2% refers to the percentage of your final compensation that you'll receive as a retirement benefit for every year of service credit, also known as the age factor. Other differences between the two benefit structures are final compensation, age factors, normal retirement age, creditable compensation cap and contribution rate. In addition, 2% at 62 members aren't eligible for benefit enhancements, the Reduced Benefit Election or the CalSTRS Replacement Benefits Program.

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

Contributions:	Effective Date	2% at 60 Members	2 % at 62 Members
Members:	July 1, 2018	10.25%	10.205%
Employers:	July 1, 2016	12.58%	
	July 1, 2017	14.43%	
	July 1, 2018	16.28%	
	July 1, 2019	17.10%	
	July 1, 2020	18.40%	
	July 1, 2021 – June 30, 2046	The board cannot adjust the employer rate by more than 1% in a fiscal year, and the increase to the contribution rate above the 8.25% base contribution rate cannot exceed 12% for a maximum of 20.25 percent.	
State:	July 1, 20146	Increase from prior rate ceases in 2046-47	
	July 1, 2017	9.328%	
	July 1, 2017 – June 30, 2046	8.828%, The board has limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50% in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0%. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.	
	July 1, 2046 and thereafter	4.517%, and same explanation as above	

Contributions to the pension plan from the COE was \$847,500 for the year ended June 30, 2019.

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

At June 30, 2019, the COE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the COE. The amount recognized by the COE 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 COE were as follows:

	<i>(\$ Amounts in thousands)</i>	
District's proportionate share of the net pension liability	\$	8,338
State's proportionate share of the net pension liability associated with the District		3,036
<b>Total</b>	<b>\$</b>	<b>11,374</b>

**YUBA COUNTY OFFICE OF EDUCATION**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
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The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The COE's proportion of the net pension liability was based on employer contributions to the STRP are calculated by CalSTRS based on creditable compensation for active members reported by employers to the pension plan relative to the contributions of all participating school COEs and the State. At June 30, 2018, the COE's proportion was as follows:

	<u>Jun. 30, 2018</u>	<u>Jun. 30, 2017</u>	<u>Difference</u>
Net Pension Liability Allocation Basis	0.0000907	0.0000902	0.0000005

For the year ended June 30, 2019, the COE recognized pension expense of \$1,484,000 and revenue of \$444,000 for support provided by the State. At June 30, 2019, the COE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>(\$ Amounts in thousands)</i>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 95
Changes of assumptions	1,295	-
Net difference between projected and actual earnings on pension plan investments	-	321
Changes in proportion and differences between District contributions and proportionate share of contributions	-	644
District contributions subsequent to the measurement date	845	-
<b>Total</b>	<b>\$ 2,140</b>	<b>\$ 1,060</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<i>(\$ Amounts in thousands)</i>	
2020	\$ 1,104	\$ 113
2021	259	233
2022	259	452
2023	259	205
2024	259	62
2025 - 2026	-	(5)
<b>Total</b>	<b>\$ 2,140</b>	<b>\$ 1,060</b>

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**Actuarial Assumptions and Discount Rate Information**

**Actuarial Assumptions.** The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 – June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return <sup>3</sup>	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.5%
Post-retirement Benefit Increases	2% simple for DB (Annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

<sup>1</sup> Net of investment expenses, but gross of administrative expenses.

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 inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, the consulting actuary (Milliman) reviews the return assumptions for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2018, are summarized in the following table:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Rate of Return<sup>1</sup></b>
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash/Liquidity	2	-1.00

<sup>1</sup> 20-years average

**Discount Rate.** The discount rate used to measure the total pension liability was 7.1 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 as disclosed in Note 1. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1 percent) and assuming that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**Sensitivity of the COE’s proportionate share of the net pension liability to changes in the discount rate.**

Presented below is the net pension liability of employer using the current discount rate of 7.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
(\$ Amounts in thousands)			
District's proportionate share of the net pension liability	\$ 12,215	\$ 8,338	\$ 5,125

**10 - B. Public Employees’ Retirement System (“CalPERS”)**

**Plan Description.** Public Employees’ Retirement Fund (“PERF”) – The PERF was established in 1932 and provides retirement, death and disability benefits to its member employers, which include the State of California, non-teaching, non-certified employees in schools, and various other public agencies. The benefit provisions for the state and school employees are established by statute. The benefits options for the public agencies are established by statute and voluntarily selected by contract with the System in accordance with the provisions of the Public Employees' Retirement Law.

PERF B is a cost-sharing multiple-employer plan of school employers consisting of non- teaching and non-certified employees.

**Benefits Provided.** The Service Retirement benefit is a monthly allowance equal to the product of benefit factor, years of service, and final compensation.

- ❖ The *benefit factor* for classic members comes from the 2% at 55 benefit factor table. New PEPRA members hired on or after January 1, 2013 are subject to the 2% at 62 benefit factor table.
- ❖ The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer’s contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer’s contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.
- ❖ The *final compensation* is the monthly average of the member’s highest 12 consecutive months’ full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). For new PEPRA members hired after January 1, 2013 final compensation is based on the monthly average of the member’s highest 36 consecutive months’ full-time equivalent monthly pay. PEPRA members have a cap on the annual salary that can be used to calculate final compensation for all new members based on the Social Security Contribution and Benefit Base. For employees that participate in Social Security this cap is \$117,020 for 2016 and for those employees that do not participate in social security the cap for 2016 is \$140,424, the equivalent of 120 percent of the 2016 Contribution and Benefit Base. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.
- ❖ The employees in this plan may or may not be covered by Social Security. For employees with service prior to January 1, 2001 covered by Social Security, the final compensation is offset by \$133.33 (or by one-third if, the final compensation is less than \$400). For PEPRA members, the final compensation is not offset.

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**Contributions.** CalPERS required employer contributions to be 18.062% of payroll. The report also reported an employee contribution rate of 7.0% for classic and 6.0% for PEPRA. Contributions to the pension plan from the COE was \$1,037,000 for the year ended June 30, 2019.

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

At June 30, 2019, the COE reported a liability of \$10.6 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The COE's proportion of the net pension liability was based on a projection of the COE's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. The COE's proportion was calculated as follows:

	<u>Jun. 30, 2018</u>	<u>Jun. 30, 2017</u>	<u>Difference</u>
Net Pension Liability Allocation Basis	0.0003964	0.0003930	0.0000034

For the year ended June 30, 2019, the COE recognized pension expense of \$2,212,000. At June 30, 2019, the COE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
	<i>(\$ Amounts in thousands)</i>
Differences between expected and actual experience	\$ 693
Changes of assumptions	1,055
Net difference between projected and actual earnings on pension plan investments	87
Changes in proportion and differences between District contributions and proportionate share of contributions	204
District contributions subsequent to the measurement date	1,037
<b>Total</b>	<b>\$ 3,076</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<i>(\$ Amounts in thousands)</i>
2020	\$ 2,234
2021	897
2022	7
2023	(62)
<b>Total</b>	<b>\$ 3,076</b>

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

**Actuarial Methods, Assumptions, and Discount Rate Information**

**Actuarial Methods and Assumptions.** The collective total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018.

The collective total pension liability was based on the following assumptions:

Discount Rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS membership data for all funds
Post-Retirement Benefit Increase	2.00% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter

<sup>1</sup> The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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

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

The expected real rates of return by asset class are as followed:

Asset Class <sup>1</sup>	Assumed Asset Allocation	Real Return Years 1 – 10 <sup>2</sup>	Real Return Years 11+ <sup>3</sup>
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	(0.92%)

<sup>1</sup> In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation rate of 2.00% used for this period.

<sup>3</sup> An expected inflation rate of 2.92% used for this period.

**YUBA COUNTY OFFICE OF EDUCATION**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2019**

**Discount Rate.** The discount rate used to measure the total pension liability for PERF B was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**Sensitivity of the COE’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the COE’s proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
<i>(\$ Amounts in thousands)</i>	<b>(6.15%)</b>	<b>Discount Rate (7.15%)</b>	<b>(8.15%)</b>
District's proportionate share of the net pension liability	\$ 15,388	\$ 10,568	\$ 6,571

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPEPRS Comprehensive Annual Financial Report,

***NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN AND OTHER POST EMPLOYMENT BENEFITS (OPEB)***

**11 - A. Cal STRS**

**Plan Description.** CalSTRS administers a postemployment benefit plan Medicare Premium Payment (“MPP”) Program. The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (“OPEB”) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (“THBF”).

**Benefits Provided.** The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

**Contributions.** The MPP Program is funded on a pay-as-you go basis from a portion of monthly contributions, by Districts in the retirement system. In accordance with California Education Code §25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program. Total contributions directed to the MPP Program for fiscal year 2017-18 was \$28.2 million.

**YUBA COUNTY OFFICE OF EDUCATION**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2019**

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

At June 30, 2019, the COE reported a liability of \$55,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The COE’s proportion of the net OPEB liability was based on the COE’s proportionate share of total CalSTRS-Calculated Employer Contribution, statutorily determined. The COE’s proportion was as follows:

	<u>Jun. 30, 2018</u>	<u>Jun. 30, 2017</u>	<u>Difference</u>
Net OPEB Liability Allocation Basis	0.0001427	0.0001436	-0.0000009

For the year ended June 30, 2019, the COE recognized pension expense of (\$1,000).

**Actuarial Methods, Assumptions, and Discount Rate Information**

**Actuarial Methods and Assumptions.** The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the following assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 – June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Medicare Part A Premium Costs Trend Rate <sup>1</sup>	3.70%
Medicare Part B Premium Costs Trend Rate <sup>1</sup>	4.10%

<sup>1</sup> The assumed increases in the Medicare Part A and Part B Cost Trend Rates vary by year, however; the increases are approximately equivalent to a 3.7 percent and 4.1 percent increase each year for Medicare Part A and Part B, respectively.

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as a member’s age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

**YUBA COUNTY OFFICE OF EDUCATION**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**JUNE 30, 2019**

**Discount Rate.** The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you go method, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

**Sensitivity of the COE’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.**

The following table presents the net OPEB liability of employers as of June 30, 2017, using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

<i>(Amounts in thousands)</i>	<b>Current</b>		
	<b>1% Decrease</b> <b>(2.87%)</b>	<b>Discount Rate</b> <b>(3.87%)</b>	<b>1% Increase</b> <b>(4.87%)</b>
District's proportionate share of the net pension liability	\$ 61	\$ 55	\$ 50

<i>(Amounts in thousands)</i>	<b>Current Health</b>		
	<b>1% Decrease</b> <b>(2.7%)</b>	<b>Trend Rate</b> <b>(3.7%)</b>	<b>1% Increase</b> <b>(4.7%)</b>
District's proportionate share of the net pension liability	\$ 50	\$ 55	\$ 60

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS Comprehensive Annual Financial Report, but there are no material assets accumulated in the trust that meets the criteria in paragraph 4 of Statement 75.

**11 - B. COE’s OPEB**

**Plan Description.** The plan is a single-employer defined benefit healthcare plan administered by the Yuba County Office of Education. The Plan offers the following benefits by bargaining unit:

**Benefits Provided**

	<b><u>Certificated</u></b>	<b><u>Classified</u></b>	<b><u>Management</u></b>
Benefit types provided	Medical, dental and vision	Medical, dental, and vision	Medical, dental, and vision
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	15 years	15 years	15 years
Minimum Age	55	55	55
Dependent Coverage	No	No	No
COE Contribution %	100%	100%	100%
COE Cap	Lowest premium for retiree only coverage	Lowest premium for retiree only medical coverage	Lowest premium for retiree only medical coverage

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

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

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	162
<b>Total</b>	<b>170</b>

**Total OPEB Liability.** The COE's total OPEB liability of \$2.7 million was measured, as of June 30, 2019.

**Measurement Assumptions and Other Inputs.** The total OPEB liability in the June 30, 2019 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate:	2.79%
Discount Rate:	3.8%
Medical trend	4%

The discount rate was based on the Bond Buyer 20 Bond Index.

Mortality, retirement, service requirements, turnover and costs for coverage were based on the CalSTRS and CalPERS Schools assumptions.

**Changes in the Total OPEB Liability**

*(\$ amounts in thousands)*

<b>Balance at July 01, 2018</b>	\$	2,430
<b>Changes for the year:</b>		
Service cost		277
Interest		67
Benefit payments		(86)
<b>Net changes</b>		<b>258</b>
<b>Balances at June 30, 2019</b>	<b>\$</b>	<b>2,688</b>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.** The following presents the net OPEB liability of the District, as well as what the COE's net OPEB liability would be if it were calculated using the following rates:

	1% Decrease	Current Discount Rate	1% Increase
	(2.8%)	(3.8%)	(4.8%)
District's proportionate share of the net OPEB liability	\$ 2,609	\$ 2,430	\$ 2,271

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
 JUNE 30, 2019

	Current Health		
	1% Decrease (3%)	Trend Rate (4%)	1% Increase (5%)
District's proportionate share of the net OPEB liability	\$ 2,296	\$ 2,430	\$ 2,560

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**  
 For the year ended June 30, 2019, the COE recognized an OPEB expense of \$41,000.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**12 - A. Grants**

The COE 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 COE at June 30, 2019.

**12 - B. Litigation**

The COE is involved in various litigation arising from the normal course of business. In the opinion of management, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the COE at June 30, 2019.

**12 - C. Operating Leases**

As of June 30, 2019, the COE has various operating lease for the use of copy machines. The annual lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2020	\$ 36,885
2021	28,432
2022	18,552
2023	2,685
	\$ 86,554

YUBA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS, Continued  
JUNE 30, 2019

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***NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES***

The COE is a member of three joint powers authorities (JPAs). The first is the North Valley Schools Insurance Group (NVSIG) to provide workers' compensation insurance, and the second is the Tri-County Schools Insurance Group (TCSIG) to provide liability and property insurance, the third is Schools Excess Liabilities Fund (SELF) for excess liability and property insurance. The relationship is such that the JPAs are not component units of the COE for financial reporting purposes.

These entities have 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 entities and the COE are included in these financial statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2019, the COE made payments of \$245,546 and \$94,351, to NVSIG and TCSIG, respectively. SELF is paid through TCSIG.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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YUBA COUNTY OFFICE OF EDUCATION

COUNTY SCHOOL SERVICES FUND – BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variances -
	Original	Final	Actual	Positive / (Negative) Final to Actual
<b>REVENUES</b>				
Local Control Funding				
Formula ("LCFF") Sources				
State aid	\$ 2,255,863	\$ 2,255,863	\$ 2,796,098	\$ 540,235
Local sources	2,905,689	2,905,689	3,196,170	290,481
Transfers	-	(160,000)	(160,000)	-
Federal sources	2,167,325	3,545,048	3,521,068	(23,980)
Other State sources	3,247,975	3,375,760	3,821,119	445,359
Other local sources	6,866,242	7,186,272	6,745,743	(440,529)
<b>Total Revenues</b>	17,443,094	19,108,632	19,920,198	811,566
<b>EXPENDITURES</b>				
Certificated salaries	4,658,626	4,615,234	4,696,076	(80,842)
Classified salaries	4,563,325	5,082,476	5,148,233	(65,757)
Employee benefits	4,332,493	4,407,166	4,729,107	(321,941)
Books and supplies	679,225	730,647	463,631	267,016
Services and other operating expenditures	2,192,710	3,454,381	3,347,754	106,627
Capital outlay	-	-	15,000	(15,000)
Other outgo				
Excluding transfers of indirect costs	408,244	408,244	475,532	(67,288)
Transfers of indirect costs	(64,752)	(76,423)	(64,259)	(12,164)
<b>Total Expenditures</b>	16,769,871	18,621,725	18,811,074	(189,349)
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	673,223	486,907	1,109,124	622,217
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,200	1,200	5,380	4,180
Other Sources	-	-	15,000	15,000
Transfers Out	(594,000)	(389,000)	(2,840,000)	(2,451,000)
<b>Net Financing Sources (Uses)</b>	(592,800)	(387,800)	(2,819,620)	(2,431,820)
<b>NET CHANGE IN FUND BALANCE</b>	80,423	99,107	(1,710,496)	(1,809,603)
<b>Fund Balance - Beginning</b>	5,944,723	5,944,723	5,944,723	
<b>Fund Balance - Ending</b>	\$ 6,025,146	\$ 6,043,830	\$ 4,234,227	\$ (1,809,603)

YUBA COUNTY OFFICE OF EDUCATION

CHARTER SCHOOL SPECIAL REVENUE FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Local Control Funding				
Formula ("LCFF") Sources				
State aid	\$ 3,143,281	\$ 2,906,664	\$ 2,897,977	\$ (8,687)
Other State sources	242,314	243,914	338,690	94,776
Other local sources	144,183	174,963	172,897	(2,066)
<b>Total Revenues</b>	<b>3,529,778</b>	<b>3,325,541</b>	<b>3,409,564</b>	<b>84,023</b>
<b>EXPENDITURES</b>				
Certificated salaries	1,510,651	1,485,651	1,316,142	169,509
Classified salaries	451,142	451,142	463,798	(12,656)
Employee benefits	907,951	907,951	897,906	10,045
Books and supplies	131,091	122,731	70,572	52,159
Services and other operating expenditures	560,957	622,047	587,250	34,797
Other outgo				
Transfers of indirect costs	635	-	3,014	(3,014)
<b>Total Expenditures</b>	<b>3,562,427</b>	<b>3,589,522</b>	<b>3,338,682</b>	<b>250,840</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(32,649)</b>	<b>(263,981)</b>	<b>70,882</b>	<b>334,863</b>
<b>Fund Balance - Beginning</b>	<b>887,530</b>	<b>887,530</b>	<b>887,530</b>	
<b>Fund Balance - Ending</b>	<b>\$ 854,881</b>	<b>\$ 623,549</b>	<b>\$ 958,412</b>	<b>\$ 334,863</b>

YUBA COUNTY OFFICE OF EDUCATION

SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Local Control Funding Formula ("LCFF") Sources				
Federal sources	\$ 178,575	\$ 2,717,318	\$ 2,827,702	\$ 110,384
Other State sources	6,103,937	6,103,937	6,430,357	326,420
Other local sources	9,000	9,000	15,617	6,617
<b>Total Revenues</b>	<b>6,291,512</b>	<b>8,830,255</b>	<b>9,273,676</b>	<b>443,421</b>
<b>EXPENDITURES</b>				
Other outgo				
Excluding transfers of indirect costs	6,282,512	8,821,255	9,258,059	(436,804)
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,000</b>	<b>9,000</b>	<b>15,617</b>	<b>6,617</b>
<b>Fund Balance - Beginning</b>	<b>268,227</b>	<b>268,227</b>	<b>268,227</b>	
<b>Fund Balance - Ending</b>	<b>\$ 277,227</b>	<b>\$ 277,227</b>	<b>\$ 283,844</b>	<b>\$ 6,617</b>

YUBA COUNTY OFFICE OF EDUCATION

DEFERRED MAINTENANCE FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variances - Positive / (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Formula ("LCFF") Sources				
Transfers	\$ -	\$ 160,000	\$ 160,000	\$ -
Other local sources	13,000	13,000	43,232	30,232
<b>Total Revenues</b>	<b>13,000</b>	<b>173,000</b>	<b>203,232</b>	<b>30,232</b>
<b>EXPENDITURES</b>				
Books and supplies	-	10,777	11,120	(343)
Services and other operating expenditures	90,000	81,723	39,924	41,799
<b>Total Expenditures</b>	<b>90,000</b>	<b>92,500</b>	<b>51,044</b>	<b>41,456</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(77,000)	80,500	152,188	71,688
<b>Other Financing Sources (Uses):</b>				
Transfers In	160,000	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>83,000</b>	<b>80,500</b>	<b>152,188</b>	<b>71,688</b>
<b>Fund Balance - Beginning</b>	<b>1,789,678</b>	<b>1,789,678</b>	<b>1,789,678</b>	
<b>Fund Balance - Ending</b>	<b>\$ 1,872,678</b>	<b>\$ 1,870,178</b>	<b>\$ 1,941,866</b>	<b>\$ 71,688</b>

**YUBA COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

*(\$ amounts in thousands)*

<b>Cal STRS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability (asset)	0.01%	0.01%	0.01%	0.01%	0.01%
District's proportionate share of the net pension liability (asset)	\$ 8,338	\$ 8,344	\$ 7,808	\$ 6,889	\$ 6,237
State's proportionate share of the net pension liability (asset) associated with the District	3,036	3,099	2,832	2,383	2,391
<b>Total</b>	<b>\$ 11,374</b>	<b>\$ 11,443</b>	<b>\$ 10,640</b>	<b>\$ 9,272</b>	<b>\$ 8,628</b>
District's covered payroll	\$ 4,881	\$ 4,729	\$ 4,781	\$ 4,697	\$ 4,699
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	171%	176%	163%	147%	133%
Plan fiduciary net position as a percentage of the total pension liability	71%	65%	70%	74%	77%
<b>Cal PERS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability (asset)	0.04%	0.04%	0.04%	0.04%	0.04%
District's proportionate share of the net pension liability (asset)	\$ 10,568	\$ 9,382	\$ 7,524	\$ 5,512	\$ 4,157
District's covered payroll	\$ 5,227	\$ 5,006	\$ 4,546	\$ 4,144	\$ 3,863
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	202%	187%	166%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

YUBA COUNTY OFFICE OF EDUCATION

SCHEDULE OF CONTRIBUTIONS

*(\$ amounts in thousands)*

	2019	2018	2017	2016	2015
<b>Cal STRS</b>					
Contractually required contribution	\$ 848	\$ 710	\$ 595	\$ 513	\$ 417
Contributions in relation to the contractually required contribution	(848)	(710)	(595)	(513)	(417)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,206	\$ 4,916	\$ 4,729	\$ 4,781	\$ 4,697
Contributions as a percentage of covered payroll	16%	14%	13%	11%	9%
<b>Cal PERS</b>					
Contractually required contribution	\$ 1,041	\$ 812	\$ 695	\$ 539	\$ 488
Contributions in relation to the contractually required contribution	(1,041)	(812)	(695)	(539)	(488)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,761	\$ 5,227	\$ 5,006	\$ 4,546	\$ 4,144
Contributions as a percentage of covered payroll	18%	16%	14%	12%	12%

YUBA COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITIES AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019

**COE Plan:**

*(\$ amounts in thousands)*

	2019	2018
<b>Changes for the year:</b>		
Service cost	\$ 277	\$ 268
Interest	67	86
Benefit payments	(86)	(111)
<b>Net Changes in Total OPEB Liability</b>	258	243
<b>Total OPEB Liability - Beginning</b>	2,430	2,187
<b>Total OPEB Liability - Ending</b>	\$ 2,688	\$ 2,430
Covered Payroll	\$ 11,455	\$ 11,455
Total OPEB liability as a percentage of covered payroll	23%	21%
District Has No Assets Accumulated in a Trust to Pay Related Benefits		

**CalSTRS OPEB Plan:**

*(\$ amounts in thousands)*

	2019	2018
<b>Changes for the year:</b>		
Interest	\$ 2	\$ 2
Effect of assumption changes	(1)	(4)
Differences between expected and actual experience	(2)	-
Changes in assumptions or other inputs	(1)	
Interfund transfer	(4)	(4)
<b>Net Changes in Total OPEB Liability</b>	(6)	(6)
<b>Total OPEB Liability - Beginning</b>	61	67
<b>Total OPEB Liability - Ending</b>	\$ 55	\$ 61
Covered Payroll <sup>1</sup>	\$ -	\$ -
Total OPEB liability as a percentage of covered payroll	n/a	n/a

<sup>1</sup> Defined as the payroll on which contributions to a pension plan are based, but for CalSTRS OPEB there are no contributions based on payroll

District Has No Material Assets Accumulated in a Trust to Pay Related Benefits

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

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**SUPPLEMENTARY INFORMATION**

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YUBA COUNTY OFFICE OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>CFDA</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal</u>	<u>Expenditures to Subrecipients</u>
	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>	<u>to</u>
U. S. DEPARTMENT OF EDUCATION:				
Passed through California Department of Education (CDE):				
Every Student Succeeds Act ("ESSA"):				
Title I, Part D, Local Delinquent Programs	84.010	14357	\$ 246,378	\$ -
Title III, Limited English Proficient (LEP)	84.365	14346	22,690	22,690
Special Education: IDEA: [1]				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,097,202	2,648,151
Preschool Grants, Part B, Sec 619 (Age 3-4-5)	84.173	13430	93,528	-
Mental Health Allocation Plan, Part B, Sec 611	84.027	15197	186,743	179,551
Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,000	-
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	23,812	-
Supporting Inclusive Practices	84.027	13693	2,471	-
Special Education: IDEA, Subtotal [1]			3,404,756	2,827,702
Early Intervention Grants	84.181	23761	63,140	-
<b>Total U. S. Department of Education</b>			<b>3,736,964</b>	<b>2,850,392</b>

See accompanying note to supplementary information

YUBA COUNTY OFFICE OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued  
 FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U. S. DEPARTMENT OF AGRICULTURE:				
Passed through CDE:				
Forest Reserve	10.665	10044	35,733	30,484
<b>Total U. S. Department of Agriculture</b>			35,733	30,484
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through CDE:				
Child Development:				
Child Care Staff Retention Program (AB 212) (CRET)	93.575	14989		-
Federal Local Planning Councils (Contract Prefix CLPC)	93.575	13946	55,887	-
Passed through Sutter County Superintendent of Schools:				
Federal Local Planning Councils (Contract Prefix CLPC & CRET)	93.575	various	110,562	-
Child Development, Subtotal			166,449	-
Medi-Cal:				
Billing Option	93.778	10013	343,321	260,137
Administrative Activities ("MAA")	93.778	10060	43,462	-
Medi-Cal, Subtotal			386,783	260,137
<b>Total U. S. Department of Health &amp; Human Services</b>			553,232	260,137
U. S. DEPARTMENT OF LABOR				
Passed through North Central Counties Consotium:				
Workforce Investement Act (WIA)/				
Workforce Innovation and Oppourtunty Act (WIOA):	17.258,			
Adult Programs, Youth Activities,	17.259, &			
and Dislocated Workers	17.278	*	2,134,447	-
<b>Total Federal Expenditures</b>			\$ 6,460,376	\$ 3,141,013

[1] - Major Program

\* - PCS Number not available

**YUBA COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2019**

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**Attendance Yuba COE:**

	<b>Second Period</b>	
	<b>Report</b>	<b>Annual Report</b>
<b>ELEMENTARY</b>		
Juvenile halls, homes, and camps	1	2
Probation referred, on probation or parole, expelled	2	3
<b>Total Elementary</b>	<b>3</b>	<b>5</b>
<b>SECONDARY</b>		
Juvenile halls, homes, and camps	43	41
Probation referred, on probation or parole, expelled	29	31
<b>Total Secondary</b>	<b>72</b>	<b>72</b>
<b>Total</b>	<b>75</b>	<b>77</b>
Full-time traditional independent study (Secondary)	9	11

**Attendance COE Funded County Program:**

	<b>Second Period</b>	
	<b>Report</b>	<b>Annual Report</b>
<b>ELEMENTARY</b>		
Special day classes	91	93
Extended year special education	6	6
<b>Total Elementary</b>	<b>97</b>	<b>99</b>
<b>SECONDARY</b>		
Special day classes	59	60
Extended year special education	4	4
<b>Total Secondary</b>	<b>63</b>	<b>64</b>
<b>Total</b>	<b>160</b>	<b>163</b>

See accompanying note to supplementary information

YUBA COUNTY OFFICE OF EDUCATION

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA), Continued  
 FOR THE YEAR ENDED JUNE 30, 2019

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Yuba County Career Charter Preparatory Academy:

	<b>Second Period</b>	
	<b>Report</b>	<b>Annual Report</b>
<b>REGULAR ELEMENTARY AND HIGH SCHOOL</b>		
Total transitional kindergarten through third	3	3
Total fourth through sixth	3	4
Total seventh through eighth	16	17
Total ninth through twelfth	222	219
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Total Elementary and High School	244	243
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Classroom-based ninth through twelfth	56	54
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See accompanying note to supplementary information

YUBA COUNTY OFFICE OF EDUCATION

SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2019

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Yuba County Office of Education, not applicable.

Yuba County Career Charter Preparatory Academy:

<u>Grade Level</u>	<u>Education Code §47612.5 Requirement</u>	<u>Current Year Minutes</u>	<u>Number of Days</u>	<u>Status</u>
Grade 9	64,800	67,621	180	Complied
Grade 10	64,800	67,621	180	Complied
Grade 11	64,800	67,621	180	Complied
Grade 12	64,800	67,621	180	Complied

See accompanying note to supplementary information

**YUBA COUNTY OFFICE OF EDUCATION**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020 (Budget)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>COUNTY SCHOOL SERVICES FUND:</b>				
Revenues	\$ 18,593,940	\$ 19,920,198	\$ 18,432,914	\$ 15,983,880
Other sources and transfers in	1,200	20,380	210,197	1,484
Total	18,595,140	19,940,578	18,643,111	15,985,364
Expenditures	18,286,191	18,811,074	17,265,861	15,156,843
Other uses and transfers out	401,000	2,840,000	1,096,772	634,719
Total	18,687,191	21,651,074	18,362,633	15,791,562
<b>INCREASE/(DECREASE) IN FUND BALANCE</b>				
	\$ (92,051)	\$ (1,710,496)	\$ 280,478	\$ 193,802
<b>ENDING FUND BALANCE</b>				
	\$ 4,142,176	\$ 4,234,227	\$ 5,944,723	\$ 5,664,245
<b>AVAILABLE RESERVES <sup>1</sup></b>				
	\$ 2,095,037	\$ 2,095,037	\$ 4,391,172	\$ 4,124,690
<b>AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO</b>				
	11%	10%	24%	26%
<b>LONG-TERM DEBT</b>				
	N/A	\$ 23,298,613	\$ 21,861,931	\$ 18,139,869
<b>AVERAGE DAILY ATTENDANCE AT P-2 <sup>2</sup></b>				
	234	244	232	204

The County School Services Fund balance has decreased by \$1,430,018 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$92,051 (two percent). For a COE this size, the State recommends available reserves of at least three percent of County School Services Fund expenditures, transfers out, and other uses (total outgo).

The COE has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long term obligations have increased by \$5.2 million over the past two years.

Average daily attendance has increased by forty ADA over the past two years. A decrease of ten ADA is anticipated during fiscal year 2019-20.

<sup>1</sup> Available reserves consist of all unassigned fund balance within the County School Services Fund

<sup>2</sup> ADA consists of Yuba COE attendance, as well as, COE funded county programs

YUBA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

	County School Services Fund	Charter School Special Revenue Fund	Child Development Fund	Special Reserve Fund for Other Than Capital Outlay Projects	County School Facilities Fund	Debt Service Fund	Other Enterprise Fund	Self- Insurance Fund
<b>FUND BALANCE / NET POSITION</b>								
Balance, June 30, 2019, Unaudited Actuals:	\$ 6,480,637	\$ 962,321	\$ 194,312	\$ 128,897	\$ 2,747	\$ 1,054,763	\$ 1,671	\$ 521,088
Increase in:								
Cash in county	128,229	-	-	-	-	-	-	-
Accrued receivables	668	-	-	-	-	-	-	-
Capital assets	-	-	-	-	-	-	1,298,208	-
Accrued liabilities	(25,307)	(3,909)	(2,025)	-	-	-	(302)	-
Deferred outflows of resources - pension	-	-	-	-	-	-	10,000	-
Net pension liability	-	-	-	-	-	-	(56,000)	(1,882,922)
Deferred inflows of resources - pension	-	-	-	-	(2,077,935)	-	(3,000)	-
Decrease in:								
Cash in county	-	-	-	(128,229)	-	(223)	-	-
Accrued receivables	-	-	-	(668)	-	-	-	-
Due from other funds	(2,350,000)	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	2,350,000	-	-	-
Audited financial statement	\$ 4,234,227	\$ 958,412	\$ 192,287	\$ -	\$ 274,812	\$ 1,054,540	\$ 1,250,577	\$ (1,361,834)

See accompanying note to supplementary information

YUBA COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2019

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<b>Charter School Number</b>	<b>Charter School</b>	<b>Status</b>	<b>Included in Audit Report</b>
0092	Yuba County Career Preparatory Charter School	Active	Yes
0990	Yuba Environmental Science Charter Academy	Active	No

See accompanying note to supplementary information

YUBA COUNTY OFFICE OF EDUCATION

COMBINING BALANCE SHEET  
JUNE 30, 2019

	Child Development Fund	Forest Reserve Fund	Special Reserve for Capital Outlay Fund	Debt Service Fund	Non-Major Governmental Funds
<b>ASSETS</b>					
Deposits and investments	\$ 199,889	\$ 35,866	\$ 38,742	\$ 1,049,072	\$ 1,323,569
Accrued receivables	188,552	125	236	5,468	194,381
Due from other funds	189	-	-	-	189
<b>Total Assets</b>	<b>\$ 388,630</b>	<b>\$ 35,991</b>	<b>\$ 38,978</b>	<b>\$ 1,054,540</b>	<b>\$ 1,518,139</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 3,734	\$ 30,484	\$ -	\$ -	\$ 34,218
Due to other funds	29,974	5,380	-	-	35,354
Unearned revenue	162,635	-	-	-	162,635
<b>Total Liabilities</b>	<b>196,343</b>	<b>35,864</b>	<b>-</b>	<b>-</b>	<b>232,207</b>
<b>FUND BALANCES</b>					
Spendable					
Restricted	11,419	-	-	-	11,419
Committed	-	-	38,978	-	38,978
Assigned	180,868	127	-	1,054,540	1,235,535
<b>Total Fund Balances</b>	<b>\$ 192,287</b>	<b>\$ 127</b>	<b>\$ 38,978</b>	<b>\$ 1,054,540</b>	<b>\$ 1,285,932</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 388,630</b>	<b>\$ 35,991</b>	<b>\$ 38,978</b>	<b>\$ 1,054,540</b>	<b>\$ 1,518,139</b>

See accompanying note to supplementary information

YUBA COUNTY OFFICE OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE  
FOR THE YEAR ENDED JUNE 30, 2019

	Child Development Fund	Forest Reserve Fund	Special Reserve for Capital Outlay Fund	Debt Service Fund	Non-Major Governmental Funds
<b>REVENUES</b>					
Federal sources	\$ 166,450	\$ 35,733	\$ -	\$ -	\$ 202,183
Other State sources	620,357	-	-	-	620,357
Other local sources	269,547	238	4,681	24,178	298,644
<b>Total Revenues</b>	<b>1,056,354</b>	<b>35,971</b>	<b>4,681</b>	<b>24,178</b>	<b>1,121,184</b>
<b>EXPENDITURES</b>					
Current					
General administration					
All other general administration	61,245	-	-	-	61,245
Community services	992,032	-	-	-	992,032
Transfers to other agencies	-	30,484	-	-	30,484
Facilities acquisition and construction	-	-	-	-	-
Debt service					
Interest and other	-	-	-	48,782	48,782
Principal	-	-	-	339,375	339,375
<b>Total Expenditures</b>	<b>1,053,277</b>	<b>30,484</b>	<b>-</b>	<b>388,157</b>	<b>1,471,918</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over Expenditures</b>	<b>3,077</b>	<b>5,487</b>	<b>4,681</b>	<b>(363,979)</b>	<b>(350,734)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	355,000	355,000
Other Sources	-	-	3,000	-	3,000
Transfers Out	-	(5,380)	-	-	(5,380)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>(5,380)</b>	<b>3,000</b>	<b>355,000</b>	<b>352,620</b>
<b>NET CHANGE IN FUND BALANCE</b>					
<b>FUND BALANCE</b>	<b>3,077</b>	<b>107</b>	<b>7,681</b>	<b>(8,979)</b>	<b>1,886</b>
<b>Fund Balance - Beginning</b>	<b>189,210</b>	<b>20</b>	<b>31,297</b>	<b>1,063,519</b>	<b>1,284,046</b>
<b>Fund Balance - Ending</b>	<b>\$ 192,287</b>	<b>\$ 127</b>	<b>\$ 38,978</b>	<b>\$ 1,054,540</b>	<b>\$ 1,285,932</b>

See accompanying note to supplementary information

***NOTE 1 – PURPOSE OF SCHEDULES***

**1 - A. Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the COE 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as applicable.

There are no balances of loan or loan guarantee programs (“loans”) outstanding at the end of the audit period. The COE has not elected to use the 10% de minimis cost rate.

**1 - B. Schedule of Average Daily Attendance (“ADA”)**

Displaying ADA data for both the Second Period and Annual reports, by grade span and program as appropriate; and separately for each charter school, shows the total ADA and the ADA generated through classroom-based instruction by grade span, as appropriate; and if there are any ADA adjustments due to audit findings, displays additional columns for the Second Period and Annual reports reflecting the final ADA after audit finding adjustments, shown by grade span.

**1 - C. Schedule of Instructional Time**

Displaying, for school COEs, including basic aid COEs, data that show whether the COE complied with article 8 (commencing with § 46200) of chapter 2 of part 26 of the Education Code; showing by grade level:

**1 - C.I** For COEs that met or exceeded their LCFF target or COEs that participated in longer day funding, the number(s) of instructional minutes specified in Education Code section 46207(a) or 46201(b) as applicable, and the COE's required instructional minutes set forth in Audit Guide Part F, Instructional Time, as applicable;

**1 - C.II** For COEs that did not meet or exceed their LCFF target and did not participate in longer day funding, the number(s) of instructional minutes the COE offered in the 1982-83 year, and the COE's required instructional minutes as calculated in Audit Guide Part F, Instructional Time, as applicable;

**1 - C.III** For all COEs, the instructional minutes offered during the year audited showing the school with the lowest number of minutes offered at each grade level;

**1 - C.IV** For all COEs, the number of instructional days offered during the year audited on the traditional calendar and on any multitrack year-round calendars; and whether the COE complied with the instructional minutes and day's provisions. State in a note to the schedule whether the COE participated in longer day incentives and whether the COE met or exceeded its LCFF target funding.

**1 - C.V** For charter schools, data that show whether the charter school complied with Education Code sections 47612 and 47612.5; showing by grade level the number(s) of instructional minutes specified in Education Code section 47612.5; the instructional minutes offered during the year audited showing the school location with the lowest number of minutes offered at each grade level; the number of instructional days offered during the year audited on the traditional calendar and on any multitrack calendars; and whether the charter school complied with the instructional minutes and days provisions.

**1 - D. Schedule of Financial Trends and Analysis**

Displaying information regarding the auditee's financial position and going concern status, in the form of actual financial and attendance figures for at least the most recent three-year period (ending with the audit year), plus the current year's budget, for the following items: general fund financial activity, including total revenue, expenditures, and other sources and uses; general fund balance; available reserve balances (funds designated for economic uncertainty, and any other remaining undesignated fund balance) within the general fund or special reserve fund; available reserve balances expressed as a percentage of total general fund outgo (expenditures, transfers out, and other uses), including a comparison to the applicable state-recommended available reserve percentage; total long-term debt; and elementary and secondary second principal ADA; and, when the auditee's percentage of available reserves to total general fund outgo is below the state-recommended percentage, management's plans for increasing the auditee's available reserve percentage.

**1 - E. Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

Displaying the differences between the ending fund balance(s) from the audited financial statements and the unaudited ending fund balance(s) from the annual financial and budget report for each fund in which a variance occurred.

**1 - F. Schedule of Charter Schools**

Listing all charter schools, including charter school number, chartered by the school COE or county office of education, and indicating for each charter school whether or not the charter school is included in the school COE or county office of education audit.

**1 - G. Combining Statements – Non-Major Governmental Funds**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

**1 - H. Local Education Agency Organization Structure**

*LEA Organization Structure*, setting forth the following information, at a minimum:

- 1 - H.I The date on which the LEA was established, and for charter schools the date and granting authority of each charter;
- 1 - H.II The date and a general description of any change during the year audited in a school COE's boundaries;
- 1 - H.III The numbers by type of schools in the LEA;
- 1 - H.IV The names, titles, terms, and term expiration dates of all members of the governing board;
- 1 - H.V The names, with their titles, of the superintendent, chief business official, and deputy / associate / assistant superintendents.

This schedule is located in the front of the report.

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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

Board of Trustees  
Yuba County Office of Education  
Marysville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yuba County Office of Education as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Yuba County Office of Education's basic financial statements, and have issued our report thereon dated December 13, 2019.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 to be a material weakness. 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.

RT DENNIS  
ACCOUNTANCY

## **Compliance and Other Matters**

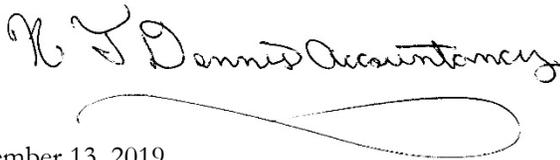
As part of obtaining reasonable assurance about whether Yuba County Office of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

## **Yuba County Office of Education's Response to Findings**

Yuba County Office of Education's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Yuba 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.



December 13, 2019

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE**

Board of Trustees  
Yuba County Office of Education  
Marysville, California

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited Yuba County Office of Education's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Yuba County Office of Education's major federal programs for the year ended June 30, 2019. Yuba County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Yuba 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 Yuba 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 Yuba County Office of Education's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Yuba 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, 2019.

RT DENNIS  
ACCOUNTANCY

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

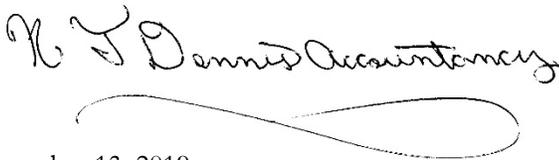
Management of Yuba County Office of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yuba County Office of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 Yuba County Office of Education's internal control over compliance.

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

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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "W. J. Dennis Accountancy". Below the signature is a large, decorative flourish consisting of a long horizontal line that loops back under itself.

December 13, 2019

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees  
Yuba County Office of Education  
Marysville, California

### ***REPORT ON STATE COMPLIANCE***

We have audited Yuba County Office of Education's compliance with the requirements as identified in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* ("2018-19 K-12 Audit Guide"), prescribed in the *California Code of Regulations*, Title 5, § 19810, et seq., applicable to Yuba County Office of Education's state programs as listed on the next page for the year ended June 30, 2019.

### **Management's Responsibility**

Compliance with the requirements referred to above is the responsibility of Yuba County Office of Education's management.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on Yuba County Office of Education's compliance 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; and the 2018-19 K-12 Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs listed on the next page. An audit includes examining, on a test basis, evidence about Yuba County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Yuba County Office of Education's compliance with those requirements.

### **Opinion**

In our opinion, Yuba County Office of Education complied, in all material respects, with the compliance requirements referred to previously that are applicable for the programs listed on the next page for the year ended June 30, 2019.

RT DENNIS  
ACCOUNTANCY

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

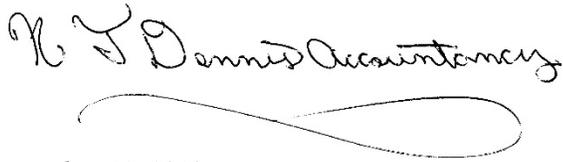
<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
<b>Local Education Agencies Other Than Charter Schools</b>	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Not Applicable
D. Independent Study	Not Applicable <sup>1</sup>
E. Continuation Education	Not Applicable
F. Instructional Time	Not Applicable <sup>2</sup>
G. Instructional Materials	Yes
H. Ratio of Administrative Employees to Teachers	Not Applicable <sup>2</sup>
I. Classroom Teacher Salaries	Not Applicable <sup>2</sup>
J. Early Retirement Incentive	Not Applicable
K. Gann Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	Yes
N. Middle or Early College High Schools	Not Applicable
O. K-3 Grade Span Adjustment	Not Applicable <sup>2</sup>
P. Transportation Maintenance of Effort	Not Applicable
Q. Apprenticeship: Related and Supplemental Instruction	Yes
R. Comprehensive School Safety Plan	Yes
S. District of Choice	Yes
<b>School Districts, County Offices Of Education, And Charter Schools</b>	
T. California Clean Energy Jobs Act	Not Applicable
U. After/Before School Education and Safety Program	Not Applicable
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control Accountability Plan	Yes
Y. Independent Study Course Based	Not Applicable
<b>Charter Schools</b>	
AA. Attendance	Yes
BB. Mode of Instruction	Yes
CC. Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes
DD. Determination of Funding for Nonclassroom-Based Instruction	Yes
EE. Annual Instructional Minutes - Classroom Based	Yes
FF. Charter School Facility Grant Program	Not Applicable

<sup>1</sup> ADA is below the materiality threshold for testing

<sup>2</sup> Not applicable to county offices of education

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the audit requirements of the 2018-19 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "R. J. Dennis Accountancy". The signature is written in black ink and includes a large, decorative flourish at the end.

December 13, 2019

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**YUBA COUNTY OFFICE OF EDUCATION**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>Yes</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 auditor's report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
84.027 and 84.173	Special Education: IDEA

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

**STATE AWARDS**

Type of auditors' report issued on compliance for State programs:	<u>Unmodified</u>
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YUBA COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

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Internal Control

**2019-001 Cash in County Reconciliation**

**CRITERIA**

Local Education Agencies (“LEAs”) are considered involuntary participants of county cash pools, per Education Code §41001, which states, “The governing board of every school district shall pay all moneys received or collected by it from any source and all moneys apportioned to it from taxes levied and collected under the authority of city councils for school purposes, into the county treasury to be placed to the credit of the proper fund of its district.”

**CONDITION**

Since the cash in county pool is made up of both cash and investments, the Auditor-Controller’s report acts as a kind of bank statement the LEAs rely upon to reconcile their individual funds’ cash in county balances to. The Yuba County Office of Education’s cash in county balances are not reconciled timely. As of June 30, 2019, there were differences between the cash balance reported by the Yuba County Auditor-Controller and the amounts reported in the “cash in county” accounts which has led to possible cash balance discrepancies between the reported cash balance on the Unaudited Actuals.

**EFFECT**

Because the cash balance report is delayed, the cash in county reconciliation has been delayed. This delay has prevented YCOE from investigating the cash balance discrepancies in a timely manner. As a general rule, any reconciling delay beyond two weeks creates greater opportunity for cash misstatements and prevents timely investigations into any cash balance discrepancies.

**CAUSE**

The Yuba County Auditor-Controller has refused to provide cash balance reports to the Yuba County LEAs in a timely manner. In fact, cash reports have, at times, been delayed by more than four months.

**RECOMMENDATION**

The LEAs should contact the County of Yuba’s Board of Supervisors to demand timely cash balance reports, or contact the Yuba County District Attorney to investigate the Yuba County Auditor-Controller as to the reason for the delayed cash balance reports, as it could be an indication of serious issues. Additionally, the LEAs need to start using the Treasurer’s cash balance report in concert with the auditor-controller’s cash balance report.

**CORRECTIVE ACTION PLAN**

Yuba County Office of Education will investigate and follow the recommendations to work with agencies so timely cash reports can be obtained.

**YUBA COUNTY OFFICE OF EDUCATION**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no Federal Award Findings or Questioned Costs noted this year.

**YUBA COUNTY OFFICE OF EDUCATION**

**STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no State Award Findings or Questioned Costs noted.

**YUBA COUNTY OFFICE OF EDUCATION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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There were no prior year findings.

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