



Financial Statements
June 30, 2022

Santa Clara County Office of Education

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Independent Auditor's Report

Santa Clara County Board of Education
San Jose, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara County Office of Education (the County Office) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County Office's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Clara County Office of Education, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Santa Clara County Office of Education, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Santa Clara County Office of Education has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Santa Clara County Office of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Santa Clara County Office of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Santa Clara County Office of Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the County Office's net OPEB liability (asset) and related ratios, schedule of the County Office's OPEB contributions, schedule of the County Office's proportionate share of the net pension liability, and the schedule of the County Office's pension contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Clara County Office of Education's basic financial statements. The combining nonmajor fund financial statements, 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*, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, schedule of expenditures of federal awards, the combining non-major fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2023 on our consideration of Santa Clara 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Clara County Office of Education's 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 Santa Clara County Office of Education's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
February 6, 2023

This management discussion and analysis of Santa Clara County Office of Education's (the County Office) financial performance provides an overview of the County Office's financial activities for the fiscal year ended June 30, 2022, with comparative information for the year ended June 30, 2021. Please read it in conjunction with the County Office's financial statements, which immediately follow this section.

Overview of the Financial Statements

Financial Highlights

- The County Office's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$12.9 million.
- Governmental expenses were about \$346.0 million. Revenues were about \$358.9 million.
- The County Office spent approximately \$7.4 million on new capital assets during the year.
- The County Office decreased its outstanding long-term debt by \$95.3 million. This was primarily due to the decrease in Aggregate net pension liability.
- Average daily attendance (ADA) has decreased by 227 or 65.8% from fiscal year 2021.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the County Office's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County Office, reporting the County Office'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.
- Short and long-term financial information about the activities of the County that operate like businesses (self-insurance funds) are provided in the proprietary funds statements.
- Fiduciary funds statement provides information about the financials to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1 Organization of Santa Clara County Office of Education's Annual Financial Report

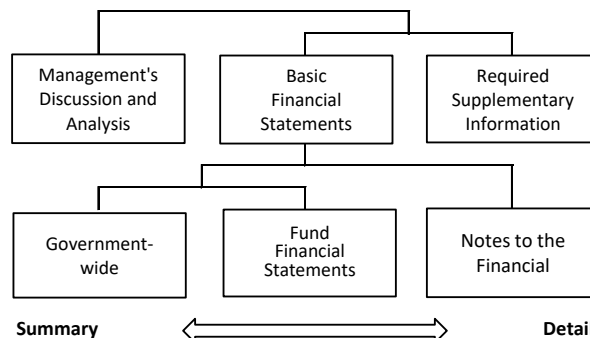


Figure A-2 summarizes the major features of the County Office's financial statements, including the portion of the County Office's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire County Office, except fiduciary activities	The activities of the County Office that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the County Office that operate like a business, such as self- insurance funds	Instances in which the County Office administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The County Office's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The County Office's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	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	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Statements

The Government-wide statements report information about the County Office as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County Office's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County Office's net position and how it has changed. Net position – the difference between the County Office's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the County Office's financial health, or position.

- Over time, increases and decreases in the County Office's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County Office, you need to consider additional nonfinancial factors such as changes in the County Office's demographics and the condition of school buildings and other facilities.
- In the Government-wide financial statements, the County Office's activities are categorized as Governmental Activities. Most of the County Office's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

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

The County Office has three kinds of funds:

1. **Governmental funds** – Most of the County Office's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

2. **Proprietary funds** – When the County Office charges other County Office funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the County Office's internal service fund is included within the governmental activities reported in the Government-wide statements but provide more detail and additional information, such as cash flows. The County Office uses the internal service fund to report activities that relate to the County Office's self-insured program for workers compensation claims.

3. **Fiduciary funds** – The County Office is the trustee, or fiduciary, for assets that belong to others. The County Office is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County Office's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the Government-wide financial statements because the County Office cannot use these assets to finance its operations.

Financial Analysis of the County as A Whole

Net Position (Deficit) The County Office's combined net position was higher on June 30, 2022, than it was the year before – increasing by \$12.9 million or 93.3% (See Table A-1).

Table A-1

	Governmental Activities (in millions)		Variance Increase (Decrease)
	2022	2021*	
Assets			
Current and other assets	\$ 231.6	\$ 217.0	\$ 14.6
Capital assets	72.0	69.7	2.3
Total assets	<u>303.7</u>	<u>286.7</u>	<u>17.0</u>
Deferred outflows of resources	<u>40.4</u>	<u>50.3</u>	<u>17.0</u>
Liabilities			
Current liabilities	95.8	79.8	16.0
Long-term liabilities	<u>153.0</u>	<u>248.3</u>	<u>(95.3)</u>
Total liabilities	<u>248.8</u>	<u>328.1</u>	<u>(79.3)</u>
Deferred inflows of resources	<u>96.2</u>	<u>23.0</u>	<u>73.2</u>
Net Position			
Net investment in capital assets	68.6	64.9	3.7
Restricted	44.1	43.7	0.4
Unrestricted	<u>(113.6)</u>	<u>(122.4)</u>	<u>8.8</u>
Total net deficit	<u>\$ (0.9)</u>	<u>\$ (13.8)</u>	<u>\$ 12.9</u>

* As a result of GASB 87 implementation, \$2 million of capital assets and liabilities were added to 2021.

Changes in Net Position, Governmental Activities The County Office's total revenues increased by 1.5% to \$358.9 million (See Table A-2). The increase was mainly due to an increase in operating grants.

The total cost of all programs and services decreased by 1.8% to \$346.0 million. The County Office's expenses are related to educating and caring for students, 48.1%. The administrative activities of the County Office accounted for 14.1% of total costs. Remaining 37.7% are related to pass-thru grants, plant services, and other services. The decrease in costs was due to the decrease in personnel costs and administration costs.

Table A-2

	Governmental Activities (in millions)		Variance Increase (Decrease)
	2022	2021*	
Revenues			
Program revenues			
Charges for services	\$ 13.6	\$ 16.7	\$ (3.2)
Operating grants and contributions	167.2	142.6	24.6
General revenues			
Federal and State aid not restricted	10.1	10.9	(0.7)
Property taxes	163.0	161.4	1.6
Other general revenues	5.0	22.0	(17.0)
	<u>358.9</u>	<u>353.6</u>	<u>5.3</u>
Total revenues			
Expenses			
Instruction-related	128.0	153.6	(25.6)
Pupil services	38.3	51.6	(13.3)
Administration	46.5	51.8	(5.3)
Plant services	9.9	8.5	1.4
Other	123.2	86.8	36.4
	<u>346.0</u>	<u>352.3</u>	<u>(6.3)</u>
Total expenses			
Change in net position	<u>\$ 12.9</u>	<u>\$ 1.2</u>	<u>\$ 11.6</u>

* The prior year revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

Financial Analysis of the County Office's Funds

The financial performance of the County Office as a whole is reflected in its governmental funds as well. As the County Office completed this year, its governmental funds reported a combined fund balance of \$97.0 million, which is less than last year's ending fund balance of \$103.8 million.

The decrease is mainly attributable to the County School Service Fund which is our principal operating fund. The fund balance in the County School Service Fund decreased by \$7.4 million to \$95.4 million. The decrease in fund balance is mainly due to increase in transfer of pass-through funds. The fund’s total assets increased by \$3 million to \$172 million, approximately \$2 million increase in cash and investments and \$1 million increase in accounts receivable.

County School Services Fund Budgetary Highlights

Over the course of the year, the County Office revised the annual operating budget. The major budget amendments fall into these categories:

- Revenues – The original budgeted amount increased by \$35 million, in comparison to second interim budget, primarily due to increase in operating grants.
- Personnel and non-personnel expenditures - The original budgeted amount increased by \$57 million, primarily due to re-budgeting of carryover funds, increase in operating grants and realignment of operational cost estimates.

While the County Office's second interim budget for the County School Service Fund anticipated that expenditures would exceed revenues by about \$48.1 million, the actual results for the year show that expenditures exceeded revenues by approximately \$6.4 million. Actual revenues were \$23.0 million less than anticipated, and expenditures were \$64.6 million less than the second interim budget. That amount consists primarily of categorical program dollars that were not spent as of June 30, 2022, that will be carried over into the 2022-2023 budget, and the efforts of conservative spending.

Capital Asset and Debt Administration

Capital Assets

During 2021-2022, the County Office invested approximately \$7.4 million in new capital assets. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation and amortization expense for the year was approximately \$4.8 million.

Table A-3: Capital Assets at Year-End, Net of Depreciation and Amortization

	Governmental Activities (in millions)		Variance Increase (Decrease)
	2022	2021*	
Land and construction in progress	\$ 11.5	\$ 7.5	\$ 4.0
Buildings and improvements	53.5	55.5	(1.9)
Equipment and right to use assets	6.9	6.7	0.2
Total	\$ 72.0	\$ 69.7	\$ 2.3

* As a result of GASB 87 implementation, \$2 million of capital assets were added to 2021.

Long-Term Debt

At year-end the County Office had approximately \$161.3 million in long term liabilities, including current portion – a decrease of 37% from last year – as shown in Table A-4. (More detailed information about the County Office's long-term liabilities is presented in Note 9 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities (in millions)		Variance Increase (Decrease)
	2022	2021*	
Long-Term Liabilities			
Certificates of participation	\$ 1.8	\$ 2.7	\$ (0.9)
Unamortized premiums	0.2	0.4	(0.1)
Leases	1.4	1.8	(0.4)
Compensated absences	10.0	9.3	0.7
Claims liability	12.9	13.7	(0.8)
Aggregate net pension liability	134.9	228.5	(93.6)
 Total	 \$ 161.3	 \$ 256.4	 \$ (95.1)

* As a result of GASB 87 implementation, \$2 million of leases were added to 2021.

Factors Bearing on the County Office's Future

Budget Overview

The Governor signed the 2022-2023 Budget Act on June 27, 2022. The 2022-2023 budget package assumes total state spending of \$307.9 billion in total state funds, \$45.3 billion (or 17.26%) over enacted totals for 2021-2022. This consists of \$234.4 billion from the General Fund, \$69.1 billion from special funds and \$4.4 billion from bond funds. The budget package assumes spending from federal funds to be \$143.6 billion, a decrease of 25.58% over 2021-2022 enacted levels.

Major 2022-2023 Budget Assumptions

The 2022-2023 Budget includes total funding of \$128.6 billion (\$78.6 billion General Fund and \$50 billion other funds) for all K-12 education programs, reflecting \$22,893 per pupil (\$16,993 K-12 Proposition 98 General Fund). In addition to this funding, the Budget includes \$5.1 billion General Fund for K-12 school facilities, including new preschool and transitional kindergarten facilities.

The 2022-2023 Budget also includes \$100.5 million to develop and renovate childcare facilities and an additional \$290 million over three years to address the most urgent needs and emergent issues in children’s mental health.

Proposition 98

The 2022-2023 budget reflects Proposition 98 funding levels of \$96.1 billion in 2020-21, \$110.2 billion in 2021-22, and \$110.4 billion in 2022-23 for K-14 Funding, representing a three-year increase in the minimum Guarantee of \$35.8 billion over the level funded in the 2021 Budget Act.

The Budget includes 2020-21, 2021-22, and 2022-23 payments of \$3.1 billion, \$4 billion, and \$2.2 billion (respectively) into the Public School System Stabilization Account, for a balance of more than \$9.5 billion at the end of 2022-23. Under current law, there is a cap of 10 percent on school district reserves in fiscal years immediately succeeding those in which the balance in the Account is equal to or greater than 3 percent of the total K-12 share of the Guarantee. The balance of \$7.1 billion in 2021-22 triggers school district reserve caps beginning in 2022-23.

CalSTRS and CalPERS Employer Contribution Rates

The 2022-2023 budget does not provide relief towards California Teachers' Retirement System (CalSTRS) employer contribution rates.

- The CalSTRS employer contribution rate will increase from 16.92 percent in 2021-22 to 19.10 percent in 2022-23.

Like CalSTRS, the budget does not include any new funding towards California Public Employers' System (CalPERS) employer contribution rates.

- The CalPERS employer contribution rate will increase from 22.91 percent in 2021-22 to 25.37 percent in 2022-23.

State Funds

Learning Recovery Emergency Block Grant

The 2022-23 Budget establishes Learning Recovery Emergency Fund and appropriates \$7.9 billion one-time Proposition 98 General Fund to support the Learning Recovery Emergency Block Grant. This grant will support in establishing the following initiatives through the 2027-28 school year.

- *Instruction Learning Time*
- *Closing Learning Gaps*
- *Pupil Supports*
- *Instruction*
- *Academic Services*

Arts, Music, and Instructional Materials Discretionary Block Grant

The 2022-23 Budget provides \$3.6 billion one-time Proposition 98 General Fund to school districts, county offices of education, charter schools, and the State special schools to be spent on a variety of purposes, including arts and music programs, obtaining standards-aligned professional development, acquiring instructional materials, developing diverse book collections, operational costs, and expenses related to the COVID-19 Pandemic.

State Preschool

The 2022-23 Budgets invests \$312.7 million Proposition 98 General Fund and \$172.3 million General Fund to increase State Preschool Program adjustment factors for students with disabilities, dual language learners, and childhood mental health. It also adds an adjustment factor for three-year-olds. The Budget includes support for the following:

- ***Inclusive Early Education Expansion Program*** - \$250 million one-time Proposition 98 General Fund to support the Inclusive Early Education Expansion Program.
- ***State Preschool Family Fee Waivers*** - \$10.5 million one-time Proposition 98 General Fund and \$10.8 million one-time non-Proposition 98 General Fund to waive the family share of cost for children participating in the State Preschool Program.
- ***State Preschool Funding Hold Harmless: Reimbursement for Authorized Hours of Care*** – For the 2022-23 fiscal year only, reimbursing preschool providers for maximum authorized care, from July 2022 to June 30, 2023.

Special Education

The 2022-2023 Budget reflects the state's ongoing commitment to invest in and improve instruction and services for students with disabilities and includes the following:

- \$500 million ongoing Proposition 98 General Fund to increase the statewide base rate for special education funding.

Home To School Transportation

The 2022-2023 Budget reflects the application of an ongoing cost-of living adjustment to the current LCFF Home-to-School transportation add-on.

Operational Funding

Local Control Funding Formula

As a result of the Local Control Funding Formula, the Santa Clara County Office of Education (SCCOE) has been flat funded and has received the same amount of revenue for county services from the state annually since 2012-2013. SCCOE is also a basic aid county office that is required to return local property taxes in excess of the funding received under the Local Control Funding Formula to the state pursuant to Education Code section 2575(e) and 2578. In the May Revision, \$101.2 million in ongoing Proposition 98 General Funding was approved statewide to support the augmentation of the LCFF funding formula for the county offices of education that have been flat funded since the implementation of LCFF, which would also allow for annual cost of living adjustment increases. We await details of the timing and impact of this proposed augmentation for the SCCOE and are mindful that the projected LCFF funding increases will take time to align with increasing expenditures such as pension costs.

The SCCOE is committed to continuing to make strategic investments, leveraging partnerships throughout the community and county with focus on strategic growth, and identifying new grant opportunities to support key priorities and initiatives. In fiscal year 2021- 2022, \$30.7 million in new restricted funding was received and these efforts will continue in fiscal year 2022- 2023.

Contacting the County Office's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County Office's finances and to demonstrate the County Office's accountability for the funding it receives. If you have questions about this report or need additional financial information, please contact Stephanie Gomez, Chief Business Officer.

Santa Clara County Office of Education
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Deposits and investments	\$ 188,264,654
Receivables	29,031,836
Prepaid expenses	354,982
Net other post employment benefits (OPEB) asset	13,997,022
Capital assets not depreciated	11,548,414
Capital assets, net of accumulated depreciation and amortization	59,093,009
Right-to-use leased assets, net of accumulated amortization	1,386,942
Total assets	303,676,859
Deferred Outflows of Resources	
Deferred charge on refunding	38,890
Deferred outflows of resources related to OPEB	589,078
Deferred outflows of resources related to pensions	39,814,020
Total deferred outflows of resources	40,441,988
Liabilities	
Accounts payable	80,154,777
Interest payable	22,750
Unearned revenue	7,336,252
Long-term liabilities	
Long-term liabilities other than pensions	
Due in one year	8,332,816
Due in more than one year	18,083,835
Aggregate net pension liabilities	134,881,746
Total liabilities	248,812,176
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	15,378,304
Deferred inflows of resources related to pensions	80,849,564
Total deferred inflows of resources	96,227,868
Net Position (Deficit)	
Net investment in capital assets	68,562,896
Restricted for	
Educational programs	44,094,064
Unrestricted (Deficit)	(113,578,157)
Total net deficit	\$ (921,197)

Santa Clara County Office of Education
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 92,014,191	\$ 1,131,437	\$ 43,819,001	\$ (47,063,753)
Instruction-related activities				
Supervision of instruction	25,175,290	4,398,740	15,649,583	(5,126,967)
Instructional library, media, and technology	289,136	38,095	434,185	183,144
School site administration	10,544,962	225,269	4,328,447	(5,991,246)
Pupil services				
Home-to-school transportation	1,360,884	4	209	(1,360,671)
Food services	902,460	-	464,672	(437,788)
All other pupil services	36,086,500	3,038,693	20,404,579	(12,643,228)
Administration				
Data processing	11,723,980	63,657	1,985,282	(9,675,041)
All other administration	34,800,915	1,844,733	12,467,404	(20,488,778)
Plant services	9,879,919	168,205	2,993,888	(6,717,826)
Ancillary services	2,827,557	1,826,732	911,379	(89,446)
Community services	525,645	4,968	521,256	579
Interest on long-term liabilities	55,840	-	-	(55,840)
Other outgo	119,798,151	813,547	63,219,443	(55,765,161)
Total governmental activities	\$ 345,985,430	\$ 13,554,080	\$ 167,199,328	(165,232,022)
General Revenues and Subventions				
Property taxes, levied for general purposes				157,010,002
Taxes levied for other specific purposes				5,968,901
Federal and State aid not restricted to specific purposes				10,122,415
Interest and investment earnings				(3,187,165)
Interagency revenues				5,311,810
Miscellaneous				2,894,537
Subtotal, general revenues and subventions				178,120,500
Change in Net Position				12,888,478
Net Position (Deficit) - Beginning				(13,809,675)
Net Position (Deficit) - Ending				\$ (921,197)

Santa Clara County Office of Education

Balance Sheet – Governmental Funds

June 30, 2022

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 144,726,667	\$ 8,568,701	\$ 2,716,386	\$ 156,011,754
Receivables	27,059,752	834,092	1,049,136	28,942,980
Due from other funds	41,649	848,747	-	890,396
Total assets	\$ 171,828,068	\$ 10,251,540	\$ 3,765,522	\$ 185,845,130
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 67,764,606	\$ 10,475,808	\$ 1,668,480	\$ 79,908,894
Due to other funds	1,500,739	-	41,649	1,542,388
Unearned revenue	7,148,062	-	188,190	7,336,252
Total liabilities	76,413,407	10,475,808	1,898,319	88,787,534
Fund Balances				
Nonspendable	25,000	-	-	25,000
Restricted	42,226,862	-	1,867,203	44,094,065
Assigned	24,057,716	-	-	24,057,716
Unassigned	29,105,083	(224,268)	-	28,880,815
Total fund balances	95,414,661	(224,268)	1,867,203	97,057,596
Total liabilities and fund balances	\$ 171,828,068	\$ 10,251,540	\$ 3,765,522	\$ 185,845,130

Santa Clara County Office of Education
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds \$ 97,057,596

Amounts Reported for Governmental Activities in the Statement of Net Position
are Different because

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 125,746,961
Accumulated depreciation and amortization is	<u>(55,105,538)</u>

Net capital assets	70,641,423
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Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of right-to-use leased assets is	1,817,201
Accumulated amortization is	<u>(430,259)</u>

Net right-to-use leased assets	1,386,942
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In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.

(22,750)

An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.

20,171,847

Deferred outflows of resources represent a consumption of net asset in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	38,890
Net other postemployment benefits (OPEB)	589,078
Net pension liability	<u>39,814,020</u>

Total deferred outflows of resources	40,441,988
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Deferred inflows of resources represent an acquisition of net asset that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to

Net other postemployment benefits (OPEB)	(15,378,304)
Net pension liability	<u>(80,849,564)</u>

Total deferred inflows of resources	(96,227,868)
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Santa Clara County Office of Education
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(134,881,746)
The County Office's net OPEB asset does not benefit the current period, and is not reported as an asset in the funds.		13,997,022
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
Certificates of participation	\$ (1,820,000)	
Premiums on issuance of debt	(240,684)	
Leases	(1,443,675)	
Compensated absences (vacations)	<u>(9,981,292)</u>	
Total long-term liabilities		<u>(13,485,651)</u>
Total net deficit - governmental activities		<u><u>\$ (921,197)</u></u>

Santa Clara County Office of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula	\$ 166,164,908	\$ -	\$ -	\$ 166,164,908
Federal sources	54,079,595	38,136,174	1,538,648	93,754,417
Other state sources	26,047,700	25,049,828	7,106,312	58,203,840
Other local sources	45,426,964	1,294,218	(61,676)	46,659,506
	<u>291,719,167</u>	<u>64,480,220</u>	<u>8,583,284</u>	<u>364,782,671</u>
Expenditures				
Current				
Instruction	94,998,189	-	2,252,764	97,250,953
Instruction-related activities				
Supervision of instruction	25,097,638	-	2,387,933	27,485,571
Instructional library, media, and technology	634,976	-	-	634,976
School site administration	10,872,331	-	535,182	11,407,513
Pupil services				
Home-to-school transportation	1,417,590	-	-	1,417,590
Food services	416,510	-	482,092	898,602
All other pupil services	38,548,902	-	1,343,039	39,891,941
Administration				
Data processing	13,933,690	-	-	13,933,690
All other administration	38,753,385	-	431,978	39,185,363
Plant services	7,079,322	-	264,578	7,343,900
Ancillary services	2,978,734	-	-	2,978,734
Community services	526,880	-	-	526,880
Transfer of pass-through revenues	53,881,885	64,571,398	-	118,453,283
Transfers to agencies for services	1,183,831	133,462	27,575	1,344,868
Enterprise services	417	-	-	417
Capital outlay	7,417,394	-	-	7,417,394
Debt service				
Principal	373,526	-	850,000	1,223,526
Interest and other	33,862	-	133,499	167,361
	<u>298,149,062</u>	<u>64,704,860</u>	<u>8,708,640</u>	<u>371,562,562</u>
Excess (Deficiency) of Revenues of Revenues Over Expenditures	<u>(6,429,895)</u>	<u>(224,640)</u>	<u>(125,356)</u>	<u>(6,779,891)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	983,500	983,500
Transfers out	(983,500)	-	-	(983,500)
Net Financing Sources (Uses)	<u>(983,500)</u>	<u>-</u>	<u>983,500</u>	<u>-</u>
Net Change in Fund Balances	<u>(7,413,395)</u>	<u>(224,640)</u>	<u>858,144</u>	<u>(6,779,891)</u>
Fund Balance - Beginning	<u>102,828,056</u>	<u>372</u>	<u>1,009,059</u>	<u>103,837,487</u>
Fund Balance - Ending	<u>\$ 95,414,661</u>	<u>\$ (224,268)</u>	<u>\$ 1,867,203</u>	<u>\$ 97,057,596</u>

Santa Clara County Office of Education

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Total Net Change In Fund Balances - Governmental Funds \$ (6,779,891)

Amounts Reported for Governmental Activities in the Statement of Activities
are Different because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the statement of activities.

This is the amount by which capital outlays exceed depreciation and amortization in the period.

Depreciation and amortization expense	\$ (4,812,059)	
Capital outlays	<u>7,417,394</u>	

Net expense adjustment		2,605,335
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Loss on disposal of capital assets is reported in the government-wide statement of net position, but is not recorded in the governmental funds.		(279,479)
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In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(661,456)
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In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		14,103,866
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In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		1,449,126
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Santa Clara County Office of Education

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Premium amortization	120,342
Deferred charge on refunding amortization	(19,446)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Leases	373,526
Certificates of participation	850,000

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

10,625

An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

1,115,930

Change in net deficit of governmental activities

\$ 12,888,478

Santa Clara County Office of Education
Statement of Net Position – Proprietary Funds
June 30, 2022

	<u>Governmental Activities - Internal Service Funds</u>
Assets	
Current assets	
Deposits and investments	\$ 32,252,900
Receivables	88,856
Due from other funds	651,992
Prepaid expenses	<u>354,982</u>
Total assets	<u>33,348,730</u>
Liabilities	
Current liabilities	
Accounts payable	245,883
Current portion of claims liabilities	<u>3,610,000</u>
Total current liabilities	3,855,883
Noncurrent liabilities	
Claims liabilities	<u>9,321,000</u>
Total liabilities	<u>13,176,883</u>
Net Position	
Unrestricted	<u>20,171,847</u>
Total net position	<u><u>\$ 20,171,847</u></u>

Santa Clara County Office of Education
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2022

	<u>Governmental Activities - Internal Service Funds</u>
Operating Revenues	
Charges to other funds	\$ 6,332,644
Other local revenue	<u>145,275</u>
Total operating revenues	<u>6,477,919</u>
Operating Expenses	
Classified salaries	223,847
Employee benefits	99,358
Supplies and materials	8,596
Contract services and other operating cost	<u>4,342,773</u>
Total operating expenses	<u>4,674,574</u>
Operating Income	1,803,345
Nonoperating Revenues	
Investment earnings (losses)	<u>(687,415)</u>
Change in Net Position	1,115,930
Total Net Position - Beginning	<u>19,055,917</u>
Total Net Position - Ending	<u><u>\$ 20,171,847</u></u>

Santa Clara County Office of Education
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	<u>Governmental Activities - Internal Service Funds</u>
Operating Activities	
Cash receipts from other funds for insurance	\$ 6,472,907
Other employee expenses	(5,886)
Cash payments to other suppliers of goods or services	(8,596)
Cash payments to employees for services	(336,253)
Cash payments for claims	<u>(5,756,765)</u>
Net Cash provided by Operating Activities	365,407
Noncapital Financing Activities	
Transfer from other funds	1,451,661
Investing Activities	
Investment losses	<u>(687,415)</u>
Net Increase in Cash and Cash Equivalents	1,129,653
Cash and Cash Equivalents, Beginning	<u>31,123,247</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 32,252,900</u></u>
Reconciliation of Operating Income to Net Cash provided by Operating Activities	
Operating income	\$ 1,803,345
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities	
(Increase) in receivables	(10,898)
Increase in accounts payable	(13,048)
(Decrease) in claim liabilities	<u>(1,413,992)</u>
Net Cash provided by Operating Activities	<u><u>\$ 365,407</u></u>

Santa Clara County Office of Education
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022

	<u>Custodial Funds</u>
	<u>Warrant Pass-Through Fund</u>
Assets	
Deposits and investments	<u>\$ 200,461,890</u>
Total assets	<u><u>\$ 200,461,890</u></u>
Liabilities	
Warrants payable	\$ 65,784,654
Salaries and benefits payable	134,338,831
Due to other agencies	<u>338,405</u>
Total liabilities	<u><u>\$ 200,461,890</u></u>

Santa Clara County Office of Education
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended June 30, 2022

	Custodial Funds
	Warrant Pass-Through Fund
Additions	
Deposits from districts	\$ 4,014,915,519
Deductions	
Payments on behalf of districts	4,014,915,519
Change in Net Position	-
Net Position - Beginning	-
Net Position - Ending	\$ -

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting Entity

The Board of Education is the level of government that has governance responsibilities over activities related to public school education programs operated by the County Office. The County Office and Santa Clara County Board of Education Finance Corporation (the "Corporation") have a financial and operational relationship that meets the reporting entity definition criteria of the generally accepted accounting principles, for inclusion of the Corporation as a blended component unit of the County Office. Accordingly, the financial activity of the Corporation has been included in the basic financial statements of the County Office in the Debt Service Fund.

The following are those aspects of the relationship between the County Office and the Corporation:

Manifestations of Oversight

1. The Corporation's Board of Directors were appointed by the County Office's Board of Education.
2. The Corporation has no employees. The County Office's Superintendent functions as an agent of the Corporation. This individual receives no additional compensation for work performed in this capacity.
3. The County Office exercises significant influence over operations of the Corporation as it is anticipated that the County Office will be the sole lessee of all facilities owned by the Corporation.

Accountability for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the County Office.
2. Any deficits incurred by the Corporation will be reflected in the lease payment of the County Office. Any surpluses of the Corporation revert to the County Office at the end of the lease period.
3. It is anticipated that the County Office's lease payments will be the sole revenue source of the Corporation.
4. The County Office has assumed a "Moral Obligation", and potentially a legal obligation, for any debt incurred by the Corporation.

Scope of Public Service

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The County Office's funds are grouped into three fund categories: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County Office's major and non-major governmental funds:

Major Governmental Funds

County School Service Fund The County School Service Fund is the chief operating fund for the County Office. It is used to account for the ordinary operations of the County Office. All transactions except those accounted for in another fund are accounted for in this fund.

Special Education Pass-Through Fund The Special Education Pass-Through Fund is a special revenue fund that is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for special education programs operated by various school County Offices within the county and the County Office.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **County School Facilities Fund** The County School Facilities Fund is a capital project fund used to account for resources used for the acquisition or construction of capital facilities and equipment by the County Office.

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on the County Office's Certificates of Participation (COPs).

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

- **Internal Service Fund** The Internal Service Fund is used to account for services related to self-insurance and other post employment benefits (OPEB).

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the County Office and are not available to support the County Office's own programs. The County Office operates one of the four types of Fiduciary funds: custodial funds. Custodial funds are used to account for resources, not in a trust, that are held by the County Office for other parties outside the County Office's reporting entity. The County Office's custodial funds is the Warrant-Pass Through Fund:

- **Warrant-Pass Through Fund** The Warrant Pass-Through Fund is an agency fund used to account for the activities for which the County Office has an agency relationship with the activity of the fund. This fund is a clearing account for warrants, payroll, taxes withheld and charter school activity for educational entities within the county.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which differs from the manner in which governmental fund financial statements are prepared.

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

Net position should be reported as restricted when constraints placed on the asset 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 such as food services result from special revenue funds and the restrictions on their net position use.

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the County Office finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County Office.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The County Office considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the County Office before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the County Office has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year with exception of cash in County Treasury are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments that are not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County Treasury are determined by the County.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the County Office as a whole. The County Office maintains a capitalization threshold of \$5,000. The County Office 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 capitalized, but are expensed as incurred. When purchased, such assets are recorded as expenditures in the governmental funds. In the government-wide statement of net position and activities, such amounts are capitalized and their cost is amortized to operations over their useful lives by annual depreciation expense charges. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. Capital assets are depreciated using the straight-line method over 4-30 years depending on asset types.

The County Office records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022. The County Office records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB. The right-to-use intangible asset is amortized each year for the term of the contract.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the Statement of Net Position.

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the County Office's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 years of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The County Office reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The County Office reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Office Plan and additions to/deductions from the County Office Plan. For this purpose, the County Office Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the County School Service Fund.

Leases

The County Office recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County Office measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position - net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County Office or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County Office first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County Office, these revenues are self-insurance premiums. Operating expenses are necessary costs incurred to provide the good or service, that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between government funds in the government-wide financial statements are eliminated.

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 in the financial statements.

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.

Property Tax

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

Change in Accounting Principles**Implementation of GASB Statement No. 87**

As of July 1, 2021, the County Office adopted GASB Statement No. 87, *Leases*. The implementation of this standard 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard is included in Note 9.

Implementation of GASB Statement No. 89

As of July 1, 2021, The County Office adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The implementation of this Standard establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, there is no material effect of the implementation of this standard on the beginning net position.

Implementation of GASB Statement No. 92

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 156,011,754
Proprietary funds	32,252,900
Fiduciary funds	<u>200,461,890</u>
Total deposits and investments	<u><u>\$ 388,726,544</u></u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash with Bank	\$ 200,461,890
Cash in revolving	25,000
Investments	<u>188,239,654</u>
Total deposits and investments	<u><u>\$ 388,726,544</u></u>

Policies and Practices

The County Office 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.

Investments in County Treasury

The County Office is considered to be an involuntary participant in an external investment pool as the County Office is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The County Office's investment in the pool is reported in the accounting financial statements at amounts based upon the County Office's pro-rata share of the amortized cost that approximate fair value provided by the County Treasurer for the entire 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.

General Authorizations

The County Office's policy is to follow the requirements stipulated by the California government code related to investments. Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The deposits with County Treasurer at June 30, 2022 have the weighted average maturity of the pool was 615 days.

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 County Pool is not rated and is not registered with the Security Exchange Commission as of June 30, 2022.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the County Office's deposits may not be returned to it. The County Office 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% of the total amount deposited by public agencies. California law also allows financial institutions to secure public deposits by pledging the first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the County Office's bank balance of approximately \$200.21 million was exposed to custodial credit risk.

Fair Value Measurements

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

- Level 1 inputs – quoted prices in active markets for identical assets.
- Level 2 inputs – quoted prices in active or inactive for the same or similar assets.
- Level 3 inputs – estimates using the best information available when there is little or no market.

As of June 30, 2022, all of the County Office's investments are in the Santa Clara County Treasury Investment Pool which are uncategorized.

Note 3 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	County School Service Fund	Special Education Pass Through Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
Federal Government					
Categorical aid	\$ 17,160,785	\$ 500	\$ 499,583	\$ 17,660,868	\$ -
State Government					
Categorical aid	5,319,432	777,624	542,556	6,639,612	-
Lottery	66,744	-	-	66,744	-
Local Government					
Interest	420,182	55,968	6,997	483,147	81,871
Other local sources	4,091,349	-	-	4,091,349	6,985
Total	<u>\$ 27,059,752</u>	<u>\$ 834,092</u>	<u>\$ 1,049,136</u>	<u>\$ 28,942,980</u>	<u>\$ 88,856</u>

Note 4 - Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2022 is shown below:

	Balance July 1, 2021 as restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,533,399	\$ -	\$ -	\$ 5,533,399
Construction in progress	1,989,688	4,025,327	-	6,015,015
Total capital assets not being depreciated	<u>7,523,087</u>	<u>4,025,327</u>	<u>-</u>	<u>11,548,414</u>
Capital assets being depreciated				
Buildings and improvements	92,855,393	1,455,672	-	94,311,065
Furniture and equipment	18,232,125	1,936,395	281,038	19,887,482
Total capital assets being depreciated	<u>111,087,518</u>	<u>3,392,067</u>	<u>281,038</u>	<u>114,198,547</u>
Total capital assets	<u>118,610,605</u>	<u>7,417,394</u>	<u>281,038</u>	<u>125,746,961</u>
Accumulated depreciation				
Buildings and improvements	(37,382,140)	(3,387,838)	-	(40,769,978)
Furniture and equipment	(13,343,157)	(993,962)	(1,559)	(14,335,560)
Total accumulated depreciation	<u>(50,725,297)</u>	<u>(4,381,800)</u>	<u>(1,559)</u>	<u>(55,105,538)</u>
Net depreciable capital assets	<u>60,362,221</u>	<u>(989,733)</u>	<u>279,479</u>	<u>59,093,009</u>
Right-to-use leased assets being amortized				
Building and improvements	1,817,201	-	-	1,817,201
Accumulated amortization				
Building and improvements	-	(430,259)	-	(430,259)
Net right-to-use leased assets	<u>1,817,201</u>	<u>(430,259)</u>	<u>-</u>	<u>1,386,942</u>
Governmental activities capital assets, net	<u>\$ 69,702,509</u>	<u>\$ 2,605,335</u>	<u>\$ 279,479</u>	<u>\$ 72,028,365</u>

Depreciation and amortization expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 1,733,571
Supervision of instruction	489,951
Instructional library, media, and technology	11,319
School site administration	203,327
Home-to-school transportation	25,270
Food services	16,018
All other pupil services	711,104
Ancillary services	53,098
Community services	9,392
All General administration	1,137,258
Data processing services	248,378
Plant services	173,373
	<u> </u>
Total depreciation and amortization expenses governmental activities	<u><u>\$ 4,812,059</u></u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2022, are as follows:

Due To	Due From			Total
	County School Service Fund	Special Education Pass Through	Internal Service Fund	
County School Service Fund	\$ -	\$ 848,747	\$ 1,127,892	\$ 1,976,639
Non-Major Governmental Funds	41,649	-	-	41,649
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>\$ 41,649</u></u>	<u><u>\$ 848,747</u></u>	<u><u>\$ 1,127,892</u></u>	<u><u>\$ 2,018,288</u></u>

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2022, consisted of a \$983,500 transfer from the County School Service Fund to the Debt Service Fund for payment of the Certificate of Participation principal payment.

Note 6 - Deferred Charge on Refunding

Deferred outflows of resources is a consumption of net position by the County Office that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of \$68,562,896 includes the effect of deferring the recognition of loss from advance refunding. The \$38,890 balance of the deferred outflows of resources at June 30, 2022, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. During the year, \$19,446 was recognized as expense.

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Deferred charges on refunding	\$ 58,336	\$ -	\$ (19,446)	\$ 38,890

Note 7 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 16,128,567	\$ -	\$ 1,427,895	\$ 17,556,462	\$ 245,883
State LCFF apportionment	42,599,949	10,475,808	235,423	53,311,180	-
Salaries and benefits	9,034,941	-	5,162	9,040,103	-
Total	\$ 67,764,606	\$ 10,475,808	\$ 1,668,480	\$ 79,908,894	\$ 245,883

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2022, consists of the following:

	County School Service Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 1,305,784	\$ 188,190	\$ 1,493,974
State categorical aid	1,649,779	-	1,649,779
Other local	4,192,499	-	4,192,499
Total	\$ 7,148,062	\$ 188,190	\$ 7,336,252

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the County Office's long-term liabilities other than claim liabilities and pensions during the year consisted of the following:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
Certificates of participation	\$ 2,670,000	\$ -	\$ (850,000)	\$ 1,820,000	\$ 885,000
Premiums on COP	361,026	-	(120,342)	240,684	120,342
Leases	1,817,201	-	(373,526)	1,443,675	423,474
Compensated absences	9,319,836	2,698,626	(2,037,170)	9,981,292	3,294,000
Claims liability	13,693,000	2,848,000	(3,610,000)	12,931,000	3,610,000
Total	\$ 27,861,063	\$ 5,546,626	\$ (6,991,038)	\$ 26,416,651	\$ 8,332,816

Certificates of Participation

Payments on the Certificates of Participation (COP) were made from the Debt Service Fund. Payments on the compensated absences are made from various County Office funds.

In January 2016, the County Office issued 2016 Refunding COP in the amount of \$7,240,000 to refund the remaining 2002 Refunding COP. The 2016 Refunding COPs mature during succeeding years through April 2024. The bonds accrue interest at a rate from 2.0% to 5.0%.

The following is a schedule of future payments for the 2016 Refunding Certificates of Participation:

Fiscal Year	Principal	Interest to Maturity	Total
2023	\$ 885,000	\$ 91,000	\$ 976,000
2024	935,000	46,750	981,750
Total	\$ 1,820,000	\$ 137,750	\$ 1,957,750

Leases

During the current fiscal year, the County Office entered into eight lease agreements for classrooms and land space. As of June 30, 2022, the value of the lease liabilities were \$1,443,675. The County Office is required to make principal and interest payments through July 2027. The lease liability was valued using discount rates between 1.74% and 2.59%. The County Office determined the rate by utilizing a factor of 1.5% added to the State and Local Government Series (SLGS) rates over the same time periods. For future years, the County Office is required to make monthly principal and interest payments between \$3,880 and \$37,704. The total amount of the right to use leased assets, and the related accumulated amortization on the right to use leased assets were \$1,817,201 and \$430,259, as of June 30, 2022, respectively.

The future principal and interest lease payments as of June 30, 2022, were as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 423,474	\$ 28,569	\$ 452,043
2024	413,513	19,252	432,765
2025	385,008	10,163	395,171
2026	172,036	3,549	175,585
2027	45,773	745	46,518
Thereafter	3,871	8	3,879
	<u>\$ 1,443,675</u>	<u>\$ 62,286</u>	<u>\$ 1,505,961</u>

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ 25,000
Restricted				
Education programs	42,226,862	-	1,867,203	44,094,065
Assigned				
Board designation	176,000	-	-	176,000
Deferred maintenance (FMP)	2,053,399	-	-	2,053,399
Facilities	2,220,649	-	-	2,220,649
Technology services	11,057,595	-	-	11,057,595
Program enrichment and employee benefits	8,550,073	-	-	8,550,073
Total assigned	24,057,716	-	-	24,057,716
Unassigned				
Reserve for economic uncertainties	11,965,302	-	-	11,965,302
Remaining unassigned	17,139,781	(224,268)	-	16,915,513
Total unassigned	29,105,083	(224,268)	-	28,880,815
Total	<u>\$ 95,414,661</u>	<u>\$ (224,268)</u>	<u>\$ 1,867,203</u>	<u>\$ 97,057,596</u>

Note 11 - Net Other Postemployment Benefit (OPEB) Asset

For the fiscal year ended June 30, 2022, the County Office reported net OPEB asset, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

OPEB Plan	Net OPEB Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Credit
Retiree Health Plan	\$ 13,997,022	\$ 589,078	\$ 15,378,304	\$ (1,449,126)

Plan Administration

The County Office's retiree healthcare plan (the Plan) is provided through California Employers' Retirement Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare program administered by CalPERS. The Plan is a defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Management of the Plan is vested in the County Office management. The County Office's plan was administered through CalPERS. CalPERS issues a publicly available entity-wide financial report that includes financial statements and required supplementary information pertaining to CERBT. This report is on the CalPERS website at: <http://www.calpers.ca.gov>.

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	54
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	<u>1,522</u>
Total	<u><u>1,576</u></u>

Benefits Provided

The Plan provides health benefits to eligible retirees and their dependents until age 65. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. Eligibility requirements are as follows:

- SEIU employees who retire on or after age 50 with at least 10 years of service.
- ACE/CTA employees and psychologists who retire on or after age 55 with at least 10 years of service.
- Management employees hired on or before November 1, 2008, who retire on or after age 55 with at least one year of service.
- Management employees and Superintendent hired after November 1, 2008, who retire on or after age 55 with at least ten years of service.
- Superintendents appointed after November 1, 2008 retiring on or after age 55 with at least ten years of service.

The same medical coverage as provided to active employees is provided to eligible retired employees. The percentage of the monthly premium paid by the County Office varies. Retirees pay all amounts in excess of:

- For SEIU retirees, 50%.
- For ACE/CTA/psychologists, the percentage is 50% after 10 years of employment, 75% after 15 years, and 100% after 20 years.
- For management and Superintendent, 3.3% for each year of service (100% after 30 years).

Contributions

The required contribution is based on projected pay-as-you-go financing requirements which is paid by the employer only.

Actuarial Assumptions

The net OPEB asset in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2021
Inflation	2.25%
Salary increases	2.75%, average, including inflation
Discount rate	5.5%
Investment rate of return	5.5%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.7%

Mortality rates were based on the January 2020 Experience Study for certificated employees and the December 2017 CalPERS Active Experience Study for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2021 valuation were based on the initial amortization period for the average County Office employee service life of 14.1 years.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	4.90%
Fixed Income	43%	1.40%
Treasury Inflation Protection Securities	5%	0.57%
Real Estate Investment Trusts	8%	4.43%
Commodities	4%	1.88%

Discount Rate

The discount rate used to measure the net OPEB Asset was 5.5%. The projection of cash flows used to determine the discount rate assumed that the County Office's contributions would be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB Asset.

Changes in the Net OPEB Asset

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balance, June 30, 2021	\$ 16,484,104	\$ 25,479,859	\$ (8,995,755)
Service cost	1,259,684	-	1,259,684
Interest	951,942	-	951,942
Difference between expected and actual experience	(704,833)	-	(704,833)
Changes of assumptions and other inputs	(1,236,969)	-	(1,236,969)
Net investment income	-	5,280,457	(5,280,457)
Benefit payments	(871,513)	(871,513)	-
Administrative expense	-	(9,366)	9,366
Net change in total OPEB Asset	(601,689)	4,399,578	(5,001,267)
Balance, June 30, 2022	\$ 15,882,415	\$ 29,879,437	\$ (13,997,022)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB Asset of the County Office, as well as what the County Office's net OPEB Asset would be if it were calculated using a discount rate that is 1%-point lower (4.5%) or 1%-point higher (6.5%) than the current discount rate:

<u>Discount Rate</u>	<u>Net OPEB Asset</u>
1% decrease (4.5%)	\$ 12,917,786
Current discount rate (5.5%)	13,997,022
1% increase (6.5%)	15,016,231

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB Asset of the County Office, as well as what the County Office's total OPEB Asset would be if it were calculated using healthcare cost trend rates that are 1%-point lower (5.7%) or 1%-point higher (7.7%) than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Asset</u>
1% decrease (5.7%)	\$ 15,538,982
Current healthcare cost trend rate (6.7%)	13,997,022
1% increase (7.7%)	12,214,058

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2022, the County Office recognized OPEB credit of \$1,449,126 at June 30, 2022, the County Office did not report deferred outflows of resources for OPEB contributions subsequent to measurement date.

At June 30, 2022, the County Office reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 589,078	\$ 12,404,163
Net difference between projected and actual earnings on OPEB plan investments	-	2,974,141
Total	<u>\$ 589,078</u>	<u>\$ 15,378,304</u>

The deferred outflows of resources related to OPEB resulting from County Office contributions subsequent to the measurement date will be recognized as an addition of the net OPEB asset in the subsequent fiscal year. The deferred (inflows) of resources related to the difference between projected and actual earnings on OPEB plan investments are amortized over a 13-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (2,638,164)
2024	(2,638,165)
2025	(2,630,042)
2026	(2,768,470)
2027	(1,419,202)
Thereafter	(2,695,183)
Total	<u>\$ (14,789,226)</u>

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the County Office reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 43,242,282	\$ 19,517,200	\$ 43,038,368	\$ 2,083,238
CalPERS	91,639,464	20,296,820	37,811,196	8,178,611
Total	<u>\$ 134,881,746</u>	<u>\$ 39,814,020</u>	<u>\$ 80,849,564</u>	<u>\$ 10,261,849</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The County Office contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit 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.

The County Office contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

Contributions

Required member, County Office and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the County Office's total contributions were \$8,806,633.

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

At June 30, 2022, the County Office reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office. The amount recognized by the County Office as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the County Office were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 43,242,282
State's proportionate share of the net pension liability	<u>21,757,839</u>
Total	<u><u>\$ 65,000,121</u></u>

The net pension liability was measured as of June 30, 2021. The County Office's proportion of the net pension liability was based on a projection of the County Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating school County Offices and the State, actuarially determined. The County Office's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.0950% and 0.0960%, resulting in a net decrease in the proportionate share of 0.0010%.

For the year ended June 30, 2022, the County Office recognized pension expense of \$2,083,238. In addition, the County Office recognized pension expense and revenue of \$744,418 for support provided by the State. At June 30, 2022, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,806,633	\$ -
Change in proportion and differences between contributions made and County Office's proportionate share of contributions	4,475,271	4,230,730
Differences between projected and actual earnings on pension plan investments	-	34,205,759
Differences between expected and actual experience in the measurement of the total pension liability	108,324	4,601,879
Changes of assumptions	<u>6,126,972</u>	<u>-</u>
Total	<u><u>\$ 19,517,200</u></u>	<u><u>\$ 43,038,368</u></u>

The deferred outflows of resources related to pensions resulting from County Office contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (8,686,212)
2024	(7,945,046)
2025	(8,142,214)
2026	(9,432,287)
	<u> </u>
Total	<u>\$ (34,205,759)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and County Office’s proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ 1,899,619
2024	2,190,687
2025	(935,570)
2026	(508,938)
2027	(3,396)
Thereafter	(764,444)
	<u> </u>
Total	<u>\$ 1,877,958</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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 its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS independent consulting actuary (Milliman) reviews the return assumption 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 for the year ended June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these 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 total pension liability.

The following presents the County Office'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 percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 88,025,810
Current discount rate (7.10%)	43,242,282
1% increase (8.10%)	6,072,810

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County Office is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total County Office contributions were \$15,559,082.

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

As of June 30, 2022, the County Office reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$91,639,464. The net pension liability was measured as of June 30, 2021. The County Office's proportion of the net pension liability was based on a projection of the County Office's long-term share of contributions to the pension plan relative to the projected contributions of all participating local education agencies, actuarially determined. The County Office's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.4507% and 0.4415%, resulting in a net increase in the proportionate share of 0.0092%.

For the year ended June 30, 2022, the County Office recognized pension expense of \$8,178,611. At June 30, 2022, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 15,559,082	\$ -
Change in proportion and differences between contributions made and County Office's proportionate share of contributions	2,002,065	2,426,666
Differences between projected and actual earnings on pension plan investments	-	35,168,498
Differences between expected and actual experience in the measurement of the total pension liability	<u>2,735,673</u>	<u>216,032</u>
Total	<u><u>\$ 20,296,820</u></u>	<u><u>\$ 37,811,196</u></u>

The deferred outflows of resources related to pensions resulting from County Office contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2023	\$ (8,820,229)
2024	(8,110,991)
2025	(8,456,237)
2026	<u>(9,781,041)</u>
Total	<u><u>\$ (35,168,498)</u></u>

The deferred outflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2023	\$ 635,415
2024	801,490
2025	600,522
2026	57,613
Total	<u>\$ 2,095,040</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

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 the funds' asset classes, expected compound returns were calculated over the short-term (first ten 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the County Office'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 percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 154,517,003
Current discount rate (7.15%)	91,639,464
1% increase (8.15%)	39,437,614

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the County Office. These payments consist of State General Fund contributions to CalSTRS in the amount of \$6,111,041 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves and the budgeted amounts reported in the County School Service Fund - Budgetary Comparison Schedule.

Note 13 - Risk Management

Property and Liability

The County Office is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the County Office participated in the South Bay Area Schools Insurance Authority (SBASIA) public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Insurance program/Company name	Type of Coverage	Self-insured Retention	Limits
<u>Workers' Compensation Program</u>			
Santa Clara county Office of Education	Workers' Compensation	Not applicable	\$ 300,000
CSPIC	Workers' Compensation	\$ 300,000	\$ 300,000
<u>Property and Liability</u>			
SBASIA	Property	\$ 10,000	\$ 500,000
SBASIA	Liability	\$ 10,000	\$ 250,000
<u>Excess Property and Liability Program</u>			
Genesis Insurance Company	Excess Liability	\$ 300,000	\$ 1,000,000
CSAC Excess Insurance Authority	General Liability	\$ 1,000,000	\$ 24,000,000
Public Entity Property Insurance Program	Excess Property	\$ 500,000	\$ 1,000,000

Workers' Compensation Unpaid Claims Liabilities

The County Office accounts for the self-insured activities in the Self-Insurance Internal Service Fund. The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the County Office from July 1, 2020 to June 30, 2022:

	<u>Total</u>
Liability Balance, July 1, 2020	\$ 13,924,000
Claims and changes in estimates	4,233,000
Claims payments	<u>(4,464,000)</u>
Liability Balance, June 30, 2021	13,693,000
Claims and changes in estimates	2,848,000
Claims payments	<u>(3,610,000)</u>
Liability Balance, June 30, 2022	<u>\$ 12,931,000</u>
Assets Available to Pay Claims at June 30, 2022	<u>\$ 24,955,342</u>

Note 14 - Commitments and Contingencies

Grants

The County Office 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 County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County Office at June 30, 2022.

Litigation

The County Office is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County Office at June 30, 2022.

Participation in Public Entity Risk Pools, Joint Power Authorities and Other Related Party Transactions

The County Office is a member of South Bay Area Schools Insurance Authority (SBASIA). SBASIA operates and maintains common risk management and insurance for liability and property damage protection. The JPA agreement for SBASIA provides that SBASIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 and \$1,000,000 for each insured event for property and liability, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Audited financial statements are generally available from the respective entities. The relationship between Santa Clara County Office of Education and the Joint Powers Authority is such that the JPA is not a component unit of the County Office for financial reporting purposes.

Note 15 - Adoption of New Standard

As of July 1, 2021, the County Office adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

	Governmental Activities
Net Position at July 1, 2021 as previously reported	\$ (13,809,675)
Recognition of right to use leased assets	1,817,201
Recognition of lease liability	(1,817,201)
Net Position at July 1, 2021, as adjusted	\$ (13,809,675)



Required Supplementary Information
June 30, 2022

Santa Clara County Office of Education

Santa Clara County Office of Education
 Budgetary Comparison Schedule – County School Service Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local control funding formula	\$ 160,450,261	\$ 163,116,399	\$ 166,164,908	\$ 3,048,509
Federal sources	59,687,514	71,652,923	54,079,595	(17,573,328)
Other State sources	19,087,750	30,390,047	26,047,700	(4,342,347)
Other local sources	40,101,023	49,521,605	45,426,964	(4,094,641)
Total revenues	279,326,548	314,680,974	291,719,167	(22,961,807)
Expenditures				
Current				
Certificated salaries	56,168,607	59,321,440	56,689,757	2,631,683
Classified salaries	69,464,761	73,892,415	70,737,520	3,154,895
Employee benefits	66,156,412	66,626,876	61,409,633	5,217,243
Books and supplies	6,145,722	12,504,937	7,558,226	4,946,711
Services and operating expenditures	44,269,726	73,054,273	40,247,479	32,806,794
Other outgo	43,949,923	52,200,109	53,751,598	(1,551,489)
Capital outlay	19,650,315	25,159,059	7,347,461	17,811,598
Total expenditures	305,805,466	362,759,109	298,149,062	64,610,047
Excess (Deficiency) of Revenues Over Expenditures	(26,478,918)	(48,078,135)	(6,429,895)	41,648,240
Other Financing Sources (Uses)				
Transfers out	(983,500)	(983,500)	(983,500)	-
Net Change in Fund Balances	(27,462,418)	(49,061,635)	(7,413,395)	41,648,240
Fund Balance - Beginning	102,828,056	102,828,056	102,828,056	-
Fund Balance - Ending	\$ 75,365,638	\$ 53,766,421	\$ 95,414,661	\$ 41,648,240

Santa Clara County Office of Education
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 29,298,100	\$ 58,615,083	\$ 38,136,174	\$ (20,478,909)
Other State sources	11,695,954	22,807,899	25,049,828	2,241,929
Other local sources	1,283,638	1,283,638	1,294,218	10,580
Total revenues	<u>42,277,692</u>	<u>82,706,620</u>	<u>64,480,220</u>	<u>(18,226,400)</u>
Expenditures				
Current				
Other outgo	42,277,692	82,706,620	64,704,860	18,001,760
Total expenditures	<u>42,277,692</u>	<u>82,706,620</u>	<u>64,704,860</u>	<u>18,001,760</u>
Net Change in Fund Balances	-	-	(224,640)	(224,640)
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (224,640)</u>	<u>\$ (224,640)</u>

Santa Clara County Office of Education
Schedule of Changes in the County Office's Net OPEB Liability (Asset) and Related Ratios
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 1,259,684	\$ 1,076,963	\$ 1,809,486	\$ 2,177,330	\$ 2,054,085
Interest	951,942	953,202	1,413,151	1,532,235	1,381,780
Difference between expected and actual experience	(704,833)	(78,067)	(8,863,931)	(6,537,456)	-
Changes of assumptions	(1,236,969)	799,088	(1,009,024)	-	-
Benefit payments	(871,513)	(882,698)	(954,200)	(978,447)	(878,106)
Net change in total OPEB liability	(601,689)	1,868,488	(7,604,518)	(3,806,338)	2,557,759
Total OPEB Liability - Beginning	16,484,104	14,615,616	22,220,134	26,026,472	23,468,713
Total OPEB Liability - Ending (a)	<u>\$ 15,882,415</u>	<u>\$ 16,484,104</u>	<u>\$ 14,615,616</u>	<u>\$ 22,220,134</u>	<u>\$ 26,026,472</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ -	\$ -	\$ 954,200	\$ 24,978,447	\$ 878,106
Net investment income	5,280,457	899,678	1,480,459	-	-
Benefit payments	(871,513)	(882,698)	(954,200)	(978,447)	(878,106)
Administrative expense	(9,366)	(12,440)	(5,140)	-	-
Net change in plan fiduciary net position	4,399,578	4,540	1,475,319	24,000,000	-
Plan Fiduciary Net Position - Beginning	25,479,859	25,475,319	24,000,000	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 29,879,437</u>	<u>\$ 25,479,859</u>	<u>\$ 25,475,319</u>	<u>\$ 24,000,000</u>	<u>\$ -</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ (13,997,022)</u>	<u>\$ (8,995,755)</u>	<u>\$ (10,859,703)</u>	<u>\$ (1,779,866)</u>	<u>\$ 26,026,472</u>
Plan Fiduciary Net Position as a Percentage of the total OPEB Liability	188.13%	154.57%	174.30%	108.01%	0.00%
Covered Payroll	<u>\$ 117,422,178</u>	<u>\$ 118,350,838</u>	<u>\$ 109,475,614</u>	<u>\$ 111,870,369</u>	<u>\$ 108,746,865</u>
Net OPEB Asset as a Percentage of Covered Payroll	-11.92%	-7.60%	-9.92%	-1.59%	23.9%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Note: In the future, as data becomes available, ten years of information will be presented.

Santa Clara County Office of Education
Schedule of the County Office's OPEB Contributions
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 871,513	\$ 882,698	\$ 954,200	\$ 24,978,447	\$ 878,106
Contribution in relation to the actuarially determined contribution	<u>871,513</u>	<u>882,698</u>	<u>954,200</u>	<u>24,978,447</u>	<u>878,106</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 119,962,591</u>	<u>\$ 117,422,178</u>	<u>\$ 118,350,838</u>	<u>\$ 109,475,614</u>	<u>\$ 111,870,369</u>
Contributions as a percentage of covered payroll	<u>0.73%</u>	<u>0.75%</u>	<u>0.81%</u>	<u>22.82%</u>	<u>N/A</u>

Note: In the future, as data becomes available, ten years of information will be presented.

Santa Clara County Office of Education
Schedule of the County Office's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.0950%	0.0960%	0.0894%	0.0918%	0.0954%	0.0920%	0.0930%	0.0950%
Proportionate share of the net pension liability	\$ 43,242,282	\$ 93,077,076	\$ 80,748,956	\$ 84,347,023	\$ 88,256,423	\$ 74,537,000	\$ 62,863,000	\$ 55,278,000
State's proportionate share of the net pension liability	21,757,839	47,981,244	44,053,946	48,292,615	52,211,755	42,436,000	33,247,000	33,379,000
Total	<u>\$ 65,000,121</u>	<u>\$ 141,058,320</u>	<u>\$ 124,802,902</u>	<u>\$ 132,639,638</u>	<u>\$ 140,468,178</u>	<u>\$ 116,973,000</u>	<u>\$ 96,110,000</u>	<u>\$ 88,657,000</u>
Covered payroll	\$ 52,613,226	\$ 52,885,532	\$49,050,504	\$ 49,538,209	\$ 54,365,000	\$ 45,928,000	\$ 43,339,000	\$ 42,132,000
Proportionate share of the net pension liability as a percentage of its covered payroll	82.19%	176.00%	164.62%	170.27%	162.34%	162.29%	145.05%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.4507%	0.4415%	0.4301%	0.4623%	0.4651%	0.4410%	0.4690%	0.5080%
Proportionate share of the net pension liability	\$ 91,639,464	\$ 135,451,322	\$ 125,363,783	\$ 123,272,428	\$ 111,033,215	\$ 87,140,000	\$ 69,188,000	\$ 87,140,000
Covered payroll	\$ 64,808,952	\$ 63,703,377	\$ 59,751,578	\$ 60,985,937	\$ 59,344,000	\$ 52,933,000	\$ 51,965,000	\$ 52,933,000
Proportionate share of the net pension liability as a percentage of its covered payroll	141.40%	212.63%	209.81%	202.13%	187.10%	164.62%	133.14%	164.62%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Santa Clara County Office of Education
Schedule of the County Office's Pension Contributions
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS								
Contractually required contribution	\$ 8,806,633	\$ 8,497,036	\$ 9,043,426	\$ 7,985,422	\$ 7,165,833	\$ 6,839,141	\$ 4,928,078	\$ 3,848,492
Less contributions in relation to the contractually required contribution	<u>8,806,633</u>	<u>8,497,036</u>	<u>9,043,426</u>	<u>7,985,422</u>	<u>7,165,833</u>	<u>6,839,141</u>	<u>4,928,078</u>	<u>3,848,492</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 52,048,658</u>	<u>\$ 52,613,226</u>	<u>\$ 52,885,532</u>	<u>\$ 49,050,504</u>	<u>\$ 49,659,272</u>	<u>\$ 54,365,191</u>	<u>\$ 45,928,034</u>	<u>\$ 43,338,874</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS								
Contractually required contribution	\$ 15,559,082	\$ 13,415,453	\$ 12,562,943	\$ 10,792,330	\$ 9,474,362	\$ 8,241,720	\$ 6,270,944	\$ 6,116,832
Less contributions in relation to the contractually required contribution	<u>15,559,082</u>	<u>13,415,453</u>	<u>12,562,943</u>	<u>10,792,330</u>	<u>9,474,362</u>	<u>8,241,720</u>	<u>6,270,944</u>	<u>6,116,832</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 67,913,933</u>	<u>\$ 64,808,952</u>	<u>\$ 63,703,377</u>	<u>\$ 59,751,578</u>	<u>\$ 61,002,910</u>	<u>\$ 59,344,182</u>	<u>\$ 52,932,759</u>	<u>\$ 51,965,271</u>
Contributions as a percentage of covered payroll	<u>22.91%</u>	<u>20.70%</u>	<u>19.72%</u>	<u>18.06%</u>	<u>15.53%</u>	<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule(s)

The County Office employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

These schedules presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the County Office's Net OPEB Liability (Asset) and Related Ratios

This schedule presents information on the County Office's changes in the net OPEB liability (asset), including beginning and ending balances, and the net OPEB liability (asset). In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – Retirees eligible for explicit subsidy assumed to elect coverage at retirement changed from 100% to 50% and 75% for future retirees and SEIU retirees, respectively. Percentage of future retirees to elect spouse coverage at retirement changed to 100% of future management and 10% of all other future retirees.
- *Change in Assumptions* – The discount and long-term expected rate of return changed from 6.00% to 5.50%.

Schedule of the County Office's OPEB Contributions

This schedule presents information on the County Office's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes in Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of County Office's Pension Contributions

This schedule presents information on the County Office's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

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Supplementary Information
June 30, 2022

Santa Clara County Office of Education

Santa Clara County Office of Education

Schedule of Expenditures of Federal Awards

June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Passed Through California Department of Education (CDE):				
Special Education Cluster (IDEA)				
Special Education Grants to States				
Basic Local Assistance	84.027	13379	\$37,180,148	\$ 34,730,925
Mental Health	84.027	15197	2,504,132	2,480,145
COVID-19, Local Assistance Entitlement	84.027	15638	487,323	-
Special Education Preschool Grants				
IDEA Preschool Grants	84.173	13430	1,009,052	919,570
Preschool Staff Development	84.173	13431	5,784	5,034
Alternative Disppute Resolution	84.173	13007	113,676	500
Preschool Capacity Building Project	84.173	13839	60,000	-
COVID-19, Preschool Grant	84.173	15639	56,341	-
Total Special Education Cluster			<u>41,416,456</u>	<u>38,136,174</u>
Migrant Education State Grant Program				
Part C, Migrant Education Regular and Summer Programs	84.011	14838	7,546,618	4,112,405
Title I Grants to Local Educational Agencies				
Part A, Basic Grants Low Income and Neglected	84.010	14329	1,179,026	-
Part D, Subpart 2, Local Delinquent Programs	84.010	14357	629,182	-
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	728,952	-
ESSA School Improvement (CSI) Funding for COEs	84.010	15439	209,482	-
Total Title I Grants to Local Educational Agencies			<u>2,746,642</u>	<u>-</u>
English Language Acquisition State Grants				
Limited English Proficiency Student	84.365	14346	88,201	-
Technical Assistance	84.365	14967	99,516	-
Total English Language Acquisition State Grants			<u>187,717</u>	<u>-</u>
COVID-19, Education Stabilization Fund				
Elementary and Secondary School Emergency Relief (ESSER)				
COVID-19, ESSER I	84.425D	15536	90	-
COVID-19, ESSER I	84.425D	15537	2,088,564	-
COVID-19, ESSER II	84.425D	15547	1,489,494	-
COVID-19, ESSER III	84.425U	15559	4,340,377	-
COVID-19, ESSER III	84.425U	10155	203,382	-
COVID-19, ESSER II (ELO)	84.425D	15618	476,964	-
COVID-19, GEER II (ELO)	84.425C	15619	109,467	-
COVID-19, ESSER III (ELO)	84.425U	15620	310,925	-
COVID-19, ESSER III	84.425U	15621	535,981	-
COVID-19, ARPA Homeless Children and Youth	84.425W	15564	22,262	-
Total Education Stabilization Fund			<u>9,577,506</u>	<u>-</u>

Santa Clara County Office of Education
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Special Education-Grants for Infants and Families	84.181	23761	813,981	-
Supporting Effective Instruction State Grants				
- Teacher Quality	84.367	14341	82,788	-
Student Support and Academic Enrichment Program	84.424	15396	124,188	-
Charter Schools	84.282	15385	46,377	-
Education for Homeless Children and Youth	84.196	14332	<u>240,383</u>	-
Total U.S. Department of Education			<u>62,782,656</u>	<u>42,248,579</u>
U.S. Department of Health and Human Services				
Passed through CDE:				
Child Care and Development Fund Cluster (CCDF)				
Child Care and Development Block Grant				
Federal Quality Improvement Activities	93.575	14092	567,714	-
Local Planning Councils	93.575	13946	26,635	-
Child Care Mandatory and Matching Funds of the				
Family Child Care Home	93.596	13609	64,760	-
Administered by CA Department				
of Social Services	93.596	10163	<u>323,109</u>	-
Total CCDF Cluster			<u>982,218</u>	-
Direct award				
Head Start	93.600	10016	<u>29,433,114</u>	-
Total Head Start Cluster			<u>29,433,114</u>	-
Total U.S. Department of Health and Human Services Human Services			<u>30,415,332</u>	-
U.S. Department of Agriculture				
Passed through CDE:				
Child and Adult Care Food Program				
Centers and Families Claims	10.558	13393	431,317	-
CCFP Cash in Lieu of Commodities	10.558	13389	19,083	-
COVID-19, Emergency Operational Costs	10.558	15577	<u>106,029</u>	-
Total Child and Adult Care Food Program			<u>556,429</u>	-
Total U.S. Department of Agriculture			<u>556,429</u>	-
Total Expenditures of Federal Awards			<u>\$93,754,417</u>	<u>\$ 42,248,579</u>

Organization

Santa Clara County Office of Education was organized in 1852 under the laws of the State of California. The County Office operates under a locally-elected seven-member Board form of government and provides education services to grades K-12 as mandated by the State and/or Federal agencies. The County Office is the administrative agency for six Special Education Local Plan Areas and operates special education classes at seventy-two school sites within the County of Santa Clara. The County Office coordinates one Regional Occupational Program and four community college County Offices. It operates alternative schools programs that serve children in a variety of settings including Juvenile Hall, ranch programs, children's shelter and numerous community schools throughout the Santa Clara County. It operates via the children's service department, various preschool, childcare, developmental programs and comprehensive services for low income children and their families in Santa Clara and San Benito counties. This effort is coordinated using funds from Headstart, Early Headstart, Migrant Education, Preschool and State Preschool programs.

Santa Clara County Office of Education administers programs to 31 elementary, high school, unified, and community college County Offices within Santa Clara County serving an area of approximately 1,300 square miles. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Victoria Chon	President	2024
Raeena Lari	Member	2026
Tara Sreekrishnan	Vice President	2026
Joseph Di Salvo	Member	2024
Maimona, Afzal Berta	Member	2026
Grace H. Mah	Member	2024
Don Rocha	Member	2024

ADMINISTRATION

Mary Ann Dewan, Ph.D.	County Superintendent of Schools
Jessica Bonduris, Ed.D.	Assistant Superintendent of Educational Services
Stephanie Gomez	Chief Business Officer, Business, Facilities and Operations
Anisha Munshi, Ed.D.	Assistant Superintendent of Professional Learning and Instruction Support
David Wu	Chief Technology Officer
Anisha Munshi, Ed.D.	Assistant Superintendent, Equity and Educational Progress
Larry Oshodi	Assistant Superintendent of Personnel Services

Santa Clara County Office of Education
Schedule of Average Daily Attendance
Year Ended June 30, 2022

	<u>Second Period Report</u>	<u>Annual Report</u>
The County Office		
Elementary:		
Juvenile Halls, Homes and Camp	1.91	2.61
Probation Referred	7.03	9.95
Total Elementary	<u>8.94</u>	<u>12.56</u>
Secondary		
Juvenile Halls, Homes and Camp	64.17	65.52
Probation Referred	32.73	39.60
Total Secondary	<u>96.90</u>	<u>105.12</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	1.26	0.95
Seventh and eighth	4.41	4.77
Ninth through twelfth	16.23	16.10
Total Special Education, Nonpublic, Nonsectarian Schools	<u>21.90</u>	<u>21.82</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	18.88	18.88
Fourth through sixth	14.00	14.09
Seventh and eighth	8.81	9.21
Ninth through twelfth	37.34	38.92
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>79.03</u>	<u>81.10</u>
Community Day School		
Transitional kindergarten through third	162.84	166.96
Fourth through sixth	131.10	131.18
Seventh and eighth	80.44	87.34
Ninth through twelfth	347.58	344.27
Total Community Day School	<u>721.96</u>	<u>729.75</u>
Total County Office	<u>849.70</u>	<u>869.25</u>
Charter School		
Certificate Numbers	F762E47D	19B49C00
Opportunity Youth (Nonclassroom-Based)		
Probation Referred	42.71	44.84
Ninth through twelfth	128.66	135.91
Total for Charter Schools	<u>171.37</u>	<u>180.75</u>

Santa Clara County Office of Education

Schedule of Charter Schools

Year Ended June 30, 2022

Name of Charter School and Charter Number	Included in Audit Report
1840 Opportunity Youth Academy	Included in County Office's Financial Statements, County School Service Fund
0972 ACE Empower Academy	Separate Report
1167 Alpha: cornerstone Academy Preparatory	Separate Report
1618 Alpha: Jose Hernandez Middle School	Separate Report
0615 Bullis Charter School	Separate Report
0767 Discovery Charter School	Separate Report
1547 Discovery Charter II	Separate Report
1268 Downtown College Preparatory - Alum Rock	Separate Report
1393 Rocketship Academy Brilliant Minds	Separate Report
1394 Rocketship Alma Academy	Separate Report
1193 Rocketship Discovery Prep	Separate Report
1687 Rocketship Fuerza Community Prep	Separate Report
1127 Rocketship Los Suenos Academy	Separate Report
0850 Rocketship Mateo Sheedy Elementary	Separate Report
1778 Rocketship Rising Stars	Separate Report
1061 Rocketship Si Se Puede Academy	Separate Report
1516 Summit Public School - Denali	Separate Report
1282 Summit Public School - Tahoma	Separate Report
1290 Sunrise Middle	Separate Report
0844 University Preparatory Academy Charter School	Separate Report
1716 Voices College-Bound Language Academy Morgan Hill	Separate Report
1743 Voices College-Bound Language Academy Mt. Pleasant	Separate Report

Santa Clara County Office of Education
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2022

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022.

Santa Clara County Office of Education
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ¹	2020 ¹
County School Service Fund				
Revenues	\$ 284,493,998	\$ 291,719,167	\$294,397,754	\$ 270,532,579
Other sources	-	-	2,397	29,595
Total Revenues and Other Sources	<u>284,493,998</u>	<u>291,719,167</u>	<u>294,400,151</u>	<u>270,562,174</u>
Expenditures	305,625,665	298,149,062	277,388,697	263,819,871
Other uses and transfers out	976,000	983,500	984,000	1,050,845
Total Expenditures and Other Uses	<u>306,601,665</u>	<u>299,132,562</u>	<u>278,372,697</u>	<u>264,870,716</u>
Increase/(Decrease) in Fund Balance	<u>(22,107,667)</u>	<u>(7,413,395)</u>	<u>16,027,454</u>	<u>5,691,458</u>
Ending Fund Balance	<u>\$ 73,306,994</u>	<u>\$ 95,414,661</u>	<u>\$ 102,828,056</u>	<u>\$ 86,800,602</u>
Available Reserves ³	<u>\$ 23,859,182</u>	<u>\$ 29,105,083</u>	<u>\$ 33,208,443</u>	<u>\$ 27,867,145</u>
Available Reserves as a Percentage of Total Outgo	<u>7.78%</u>	<u>9.73%</u>	<u>11.93%</u>	<u>10.52%</u>
Long-Term Liabilities	<u>\$ 144,632,765</u>	<u>\$ 152,965,581</u>	<u>\$ 246,259,918</u>	<u>\$ 231,314,906</u>
K-12 Average Daily Attendance at P-A ²	<u>210</u>	<u>118</u>	<u>345</u>	<u>281</u>

The County School Service Fund balance has increased by \$8,138,048 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$22,107,677. For a County Office this size, the State of California recommends available reserves of at least 2 percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo). The County Office met this requirement at June 30, 2022.

The County Office has incurred operating surplus in the past two years but an operating deficit in fiscal year 2021-2022, and anticipates incurring an operating deficit during the 2022-2023 fiscal year.

Total long-term liabilities have decreased by \$78,349,325 over the past two years.

Average daily attendance (ADA) has decreased by 163 over the past two years, but an increase of 92 ADA is anticipated during the 2022-2023 fiscal year.

¹ Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

² The ADA only includes County funded programs and excludes a.

³ Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund.

Santa Clara County Office of Education
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Child Development Fund	County School Facilities Fund	Debt Service Fund	Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 2,716,382	\$ 3	\$ 1	\$ 2,716,386
Receivables	<u>1,049,136</u>	<u>-</u>	<u>-</u>	<u>1,049,136</u>
Total assets	<u><u>\$ 3,765,518</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 3,765,522</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,668,480	\$ -	\$ -	\$ 1,668,480
Due to other funds	41,649	-	-	41,649
Unearned revenue	<u>188,190</u>	<u>-</u>	<u>-</u>	<u>188,190</u>
Total liabilities	1,898,319	-	-	1,898,319
Fund Balances				
Restricted	<u>1,867,199</u>	<u>3</u>	<u>1</u>	<u>1,867,203</u>
Total liabilities and fund balances	<u><u>\$ 3,765,518</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 3,765,522</u></u>

Santa Clara County Office of Education

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2022

	Child Development Fund	County School Facilities Fund	Debt Service Fund	Non-Major Governmental Funds
Revenues				
Federal sources	\$ 1,538,648	\$ -	\$ -	\$ 1,538,648
Other State sources	7,106,312	-	-	7,106,312
Other local sources	(61,673)	(3)	-	(61,676)
Total revenues	<u>8,583,287</u>	<u>(3)</u>	<u>-</u>	<u>8,583,284</u>
Expenditures				
Current				
Instruction	2,252,764	-	-	2,252,764
Instruction-related activities				
Supervision of instruction	2,387,933	-	-	2,387,933
School site administration	535,182	-	-	535,182
Pupil services				
Food services	482,092	-	-	482,092
All other pupil services	1,343,039	-	-	1,343,039
Administration				
All other administration	431,978	-	-	431,978
Plant services	264,578	-	-	264,578
Transfers to agencies for services	27,575	-	-	27,575
Debt service				
Principal	-	-	850,000	850,000
Interest and other	-	-	133,499	133,499
Total expenditures	<u>7,725,141</u>	<u>-</u>	<u>983,499</u>	<u>8,708,640</u>
Excess (Deficiency) of Revenues Over Expenditures	858,146	(3)	(983,499)	(125,356)
Other Financing Sources (Uses)				
Transfers in	-	-	983,500	983,500
Net Change in Fund Balances	858,146	(3)	1	858,144
Fund Balance - Beginning	1,009,053	6	-	1,009,059
Fund Balance - Ending	<u>\$ 1,867,199</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 1,867,203</u>

Santa Clara County Office of Education
Combining Statement of Net Position – Internal Service Funds
June 30, 2022

	Self Insurance	OPEB	Internal Service Funds Total
Assets			
Current assets			
Deposits and investments	\$ 24,156,057	\$ 8,096,843	\$ 32,252,900
Receivables	68,545	20,311	88,856
Due from other funds	651,992	-	651,992
Prepaid expenses	354,982	-	354,982
Total assets	25,231,576	8,117,154	33,348,730
Liabilities			
Current liabilities			
Accounts payable	245,883	-	245,883
Current Portion of claims liabilities	3,610,000	-	3,610,000
Total current liabilities	3,855,883	-	3,855,883
Noncurrent liabilities			
Claims liabilities	9,321,000	-	9,321,000
Total liabilities	13,176,883	-	13,176,883
Net Position			
Unrestricted	\$ 12,054,693	\$ 8,117,154	\$ 20,171,847

Santa Clara County Office of Education
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Services Funds
June 30, 2022

	Self Insurance	OPEB	Internal Service Fund Total
Operating Revenues			
Charges to other funds	\$ 6,332,644	\$ -	\$ 6,332,644
Other local revenue	145,275	-	145,275
Total operating revenues	<u>6,477,919</u>	<u>-</u>	<u>6,477,919</u>
Operating Expenses			
Classified Salaries	223,847	-	223,847
Employee Benefits	99,358	-	99,358
Supplies and materials	8,596	-	8,596
Contract services and other operating cost	4,342,773	-	4,342,773
Total operating expenses	<u>4,674,574</u>	<u>-</u>	<u>4,674,574</u>
Operating Income	1,803,345	-	1,803,345
Nonoperating Revenues			
Interest income	<u>(752,062)</u>	<u>64,647</u>	<u>(687,415)</u>
Change in Net Position	1,051,283	64,647	1,115,930
Total Net Position - Beginning	<u>11,003,410</u>	<u>8,052,507</u>	<u>19,055,917</u>
Total Net Position - Ending	<u>\$ 12,054,693</u>	<u>\$ 8,117,154</u>	<u>\$ 20,171,847</u>

Santa Clara County Office of Education
Combining Statement of Cash Flows – Internal Services Funds
June 30, 2022

	Self Insurance	OPEB	Internal Service Fund Total
Operating Activities			
Cash receipts from other funds for insurance	\$ 6,472,907	\$ -	\$ 6,472,907
Cash payments to other employee benefits	-	(5,886)	(5,886)
Cash payments to other suppliers of goods or services	(8,596)	-	(8,596)
Cash payments to employees for services	(336,253)	-	(336,253)
Cash payments for claims	(5,756,765)	-	(5,756,765)
Net Cash from Operating Activities	371,293	(5,886)	365,407
Noncapital Financing Activities			
Transfer from other funds	1,451,661	-	1,451,661
Investing Activities			
Interest on investments	(752,062)	64,647	(687,415)
Net Change in Cash and Cash Equivalents	1,070,892	58,761	1,129,653
Cash and Cash Equivalents, Beginning	23,085,165	8,038,082	31,123,247
Cash and Cash Equivalents, Ending	\$ 24,156,057	\$ 8,096,843	\$ 32,252,900
Reconciliation of Operating Income to Net Cash From Operating Activities			
Operating income	\$ 1,803,345	\$ -	\$ 1,803,345
Changes in assets and liabilities			
Receivables	(5,012)	(5,886)	(10,898)
Accounts payable	(13,048)	-	(13,048)
Claim liabilities	(1,413,992)	-	(1,413,992)
Net Cash from Operating Activities	\$ 371,293	\$ (5,886)	\$ 365,407

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Santa Clara County Office of Education (the County Office) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County Office, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance) of County Office.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the *modified accrual* and *accrual* basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The County Office has not elected to use the ten percent de minimis cost rate, when applicable.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Charter Schools

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

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.

Internal Service Funds – Combining Statement of Net Position, Statement of Revenues, Expenditures and Changes in Net Position, and Statement of Cash Flows

The Internal Service Funds Combining Statement of Net Position, Combining Statement of Revenues, Expenditures and Changes in Net Position, and Statement of Cash Flows is included to provide information regarding the individual funds that have been included in the Internal Service Funds column on the Proprietary Funds Statement of Net Position, Statement of Revenues, Expenditures, and Changes in Net Position, and Statement of Cash Flows.

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Independent Auditor's Reports
June 30, 2022

Santa Clara County Office of Education

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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Santa Clara County Board of Education
San Jose, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Clara County Office of Education, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Santa Clara County Office of Education’s basic financial statements and have issued our report thereon dated February 6, 2023.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Santa Clara County Office of Education has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Clara County Office of Education’s internal control over financial reporting (internal control) as a basis for designing 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 Santa Clara County Office of Education’s internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Clara County Office of Education’s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Clara 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Menlo Park, California
February 6, 2023



Independent Auditor’s Report on Compliance for Each Major Program; Report on Internal Control over Compliance Required by the Uniform Guidance

Santa Clara County Board of Education
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Santa Clara County Office of Education’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Clara County Office of Education’s major federal programs for the year ended June 30, 2022. Santa Clara 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.

In our opinion, Santa Clara County Office of Education complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Santa Clara County Office of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Santa Clara County Office of Education’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Santa Clara County Office of Education's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Clara County Office of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Santa Clara County Office of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Santa Clara County Office of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Santa Clara County Office of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Santa Clara County Office of Education's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

The signature is written in a cursive, handwritten style. It reads "Eide Bailly LLP".

Menlo Park, California
February 6, 2023

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Independent Auditor's Report on State Compliance

Santa Clara County Board of Education
San Jose, California

Report on Compliance

Opinion on State Compliance

We have audited Santa Clara County Office of Education's (the County Office) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the County Office's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the County Office complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County Office and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the County Office's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County Office's state programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County Office’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County Office’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County Office’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the County Office’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the County Office’s internal controls over compliance. Accordingly, we express no such opinion; and.
- Select and test transactions and records to determine the County Office’s compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Yes
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

Kindergarten Continuance

The County Office does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

Independent Study

The County Office does not offer independent study; therefore, we did not perform procedures related to Independent study.

Continuation Education

We did not perform Continuation Education procedures because the program is not offered by the County Office.

Instructional Time

Instructional Time does not apply to the County Office; therefore, we did not perform procedures related to Instructional Time.

Ratios of Administrative Employees to Teachers

Ratio of Administrative Employees to Teachers does not apply to the County Office; therefore, we did not perform procedures related to Ratio of Administrative Employees to Teachers.

Classroom Teacher Salaries

We did not perform procedures for Classroom Teachers Salaries as the County Office was not subject to the provisions of *Education Code* Section 41372 pursuant to the provisions of *Education Code* Section 41374.

Early Retirement Incentive

The County Office did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

Middle or Early College High Schools

We did not perform Middle or Early College High Schools procedures because the program is not offered by the County Office.

K-3 Grade Span Adjustment

K-3 Grade Span Adjustment does not apply to the County Office; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

Apprenticeship: Related and Supplemental Instruction

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the County Office.

District of Choice

We did not perform District of Choice procedures because the program is not offered by the County Office.

After/Before School Education and Safety Program

We did not perform procedures for the After/Before School Education and Safety Program because the County Office did not offer the program.

Immunization

The County Office was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

Annual Instructional Minutes – Classroom Based

Annual Instructional Minutes – Classroom Based is not offered by the County Office; therefore, we did not perform procedures related to Annual Instructional Minutes – Classroom Based.

Charter School Facility Grant Program

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the County Office did not receive funding for this program.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Menlo Park, California
February 6, 2023

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to LEAs	84.010
Migrant Education State Grant	84.011
Head Start	93.600
Education Stabilization Fund (COVID-19)	84.425
Dollar threshold used to distinguish between type A and type B programs	\$2,812,633
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for all programs	Unmodified

None reported.

None reported.

None reported.

Summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

2021-001 School Accountability Report Card
Code 40000, 72000

Criteria

EDC §17002 and EDC §33126(b)(8) requires that an assessment of school facilities be included in the annual School Accountability Report Card (SARC). Local Education Agencies use a "Facility Inspection Tool (FIT)" or equivalent, as the documented basis of the conditions reported in the facilities section of the SARC.

Condition

The County Office could not provide the FIT, or equivalent with the information that matched the facilities information published in the SARC.

Context

We selected a sample of four schools and the condition applies to all of those schools.

Effect

Information contained in the SARC regarding school facilities may be incomplete or inaccurate.

Cause and Recommendation

We recommend that the County Office appoint someone to be accountable for compliance in this area.

Repeat Finding

No.

Current Status

This finding has been resolved.