



Financial Statements
June 30, 2020

Santa Clara County Office of Education



December 21, 2020

To the County Board of Education
Santa Clara County Office of Education
San Jose, California

We have audited the financial statements of Santa Clara County Office of Education (County Office) and Santa Clara County board of Education Finance Corporation as of and for the year ended June 30, 2020 and have issued our report thereon dated December 21, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated April 20, 2020 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County Office complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County Office major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of County Office solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of County Office major federal program compliance, is to express an opinion on the compliance for each of County Office major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing 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 internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County Office's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated December 21, 2020. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 21, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County Office is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are Incurred but not recognized (IBNR) Self-Insurance liabilities, net Other Postemployment Benefits (OPEB) liability, net pension liability, and related deferred inflows and outflows.

Management's estimate of IBNR Self-Insurance liabilities, the net OPEB liability, net pension liability, and related deferred inflows and outflows is based on actuarial estimates. We evaluated the key factors and assumptions used to develop the actuarial estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Understatement of Cash with County	\$1,703,754
Understatement of Revenue	1,703,754

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended June 30, 2020, is an understatement of net changes in fund balances and net position of approximately \$1,703,754, and understatement of net position and fund balances of approximately \$1,703,754. We agree with the County Office that his uncorrected misstatement is not representative of an internal control deficiency.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the County Office's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 21, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the County Office, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County Office's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Santa Clara County Office of Education's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

With respect to the supplementary information accompanying the financial statements, we applied certain limited procedures to management's discussion and analysis and General fund, budgetary comparison schedules, pension schedules of contributions and proportionate share and other postemployment schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards and other supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Trustees, and management of the County Office and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Menlo Park, CA

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Independent Auditor's Report

Governing Board
Santa Clara County Office of Education
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Clara County Office of Education (the County Office) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County Office's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Clara County Office of Education, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santa Clara County Office of Education's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2020 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, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
December 21, 2020

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, 2020, with comparative information for the year ended June 30, 2019. 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 decreased overall as a result of this year's operations. Net position of governmental activities decreased by \$7.2 million.
- Governmental expenses were about \$334.1 million. Revenues were about \$326.9 million.
- The County Office spent approximately \$3.4 million on new capital assets during the year.
- The County Office increased its outstanding long-term debt by \$0.8 million. This was primarily due to the increase in compensated absences.
- Average daily attendance (ADA) increased by 44, or 19% from fiscal year 2018-19.

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 county-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 County-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

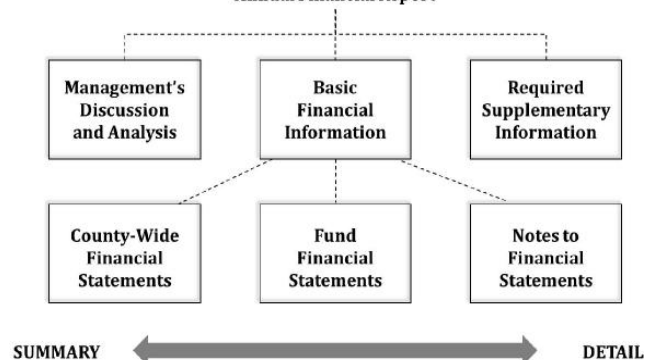


Figure A-2 summarizes the major features of the County Office's financial statements, including the portion of the County Office's activities they cover and the types of information they contain.

Figure A-2 Major Features of the County-Wide and Fund Financial Statements

Type of Statements	County-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; expenditures when goods or services have been received and payment is due during the year 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.

County-Wide Statements

The County-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 county-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 County-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 County-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 County-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, such as the student activities funds. 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. We exclude these activities from the County-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 The County Office's combined net position was lower on June 30, 2020, than it was the year before – decreasing by \$7.2 million or 92.9% (See Table A-1).

Table A-1

	Governmental Activities (in millions)		Variance Increase (Decrease)
	2020	2019	
Assets			
Current and other assets	\$ 176.6	\$ 136.0	\$ 40.6
Capital assets	69.7	68.3	1.4
Total assets	<u>246.3</u>	<u>204.3</u>	<u>42.0</u>
Deferred outflows of resources	<u>50.1</u>	<u>58.2</u>	<u>42.0</u>
Liabilities			
Current liabilities	58.1	54.9	3.2
Long-term liabilities	231.3	226.1	5.2
Total liabilities	<u>289.4</u>	<u>281.9</u>	<u>8.4</u>
Deferred inflows of resources	<u>22.0</u>	<u>14.8</u>	<u>7.2</u>
Net Position			
Net investment in capital assets	65.8	65.9	(0.1)
Restricted	46.1	34.6	11.5
Unrestricted	<u>(127.0)</u>	<u>(108.3)</u>	<u>(18.7)</u>
Total net position	<u>\$ (15.0)</u>	<u>\$ (7.8)</u>	<u>\$ (7.2)</u>

Changes in Net Position, Governmental Activities The County Office's total revenues increased by 12% to \$326.9 million (See Table A-2). The increase was mainly due to an increase in operating grants.

The total cost of all programs and services also increased by 15.21% to \$334.1 million. The County Office's expenses are related to educating and caring for students, 58.58%. The administrative activities of the County Office accounted for 12.22% of total costs. Remaining 29.21% are related to pass-thru grants, plant services, and other services. The increase in costs was due to the increase in personnel costs and capital expenditures.

Table A-2

	Governmental Activities (in millions)		Variance Increase (Decrease)
	2020	2019	
	<u>2020</u>	<u>2019</u>	
Total revenues	\$ 326.9	\$ 291.8	\$ 35.1
Total expenses	<u>334.1</u>	<u>290.0</u>	<u>44.1</u>
Change in net position	<u>\$ (7.2)</u>	<u>\$ 1.8</u>	<u>\$ (9.0)</u>

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 \$87.7 million, which is more than last year's ending fund balance of \$81.5 million.

County School Services Fund Budgetary Highlights

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

- Revenues – increased by \$35.1 million primarily due to increase in property taxes and to reflect state budget actions.
- Salaries and benefits costs – increased \$6 million due to changes in staffing and collective bargaining agreements.
- Other non-personnel expenses – increased \$24.1 million to re-budget carryover funds and revise operational cost estimates.

While the County Office's final budget for the County School Service Fund anticipated that expenditures would exceed revenues by about \$26.9 million, the actual results for the year show that revenues exceeded expenditures by approximately \$6.7 million. Actual revenues were \$4.9 million less than anticipated, but expenditures were \$38.5 million less than budgeted. That amount consists primarily of categorical program dollars that were not spent as of June 30, 2020 that will be carried over into the 2020-21 budget, and the efforts of conservative spending.

Capital Asset and Debt Administration

Capital Assets

During 2019-2020, the County Office invested approximately \$3.4 million in new capital assets. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was approximately \$4.2 million.

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

	Governmental Activities (in millions)		Variance Increase (Decrease)
	2020	2019	
Land and construction in progress	\$ 6.0	\$ 8.5	\$ (2.5)
Buildings and improvements	58.5	56.4	2.1
Equipment	5.3	5.8	(0.5)
Total	\$ 69.7	\$ 70.6	\$ (0.9)

Long-Term Debt

At year-end the County Office had approximately \$232.2.0 million in long term liabilities, including current portion – an increase of 0.3% 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)
	2020	2019	
Long-Term Liabilities			
Certificates of participation	\$ 3.5	\$ 4.3	\$ (0.8)
Unamortized premiums	0.5	0.6	(0.1)
Compensated absences	8.2	6.3	2.0
Claims liability	13.9	12.7	1.2
Aggregate net pension liability	206.1	207.6	(1.5)
Total	\$ 232.2	\$ 231.4	\$ 0.8

Note for the fiscal year June 30, 2019 and June 30, 2020 the other post employment benefit amounts were an asset of \$983 thousand and \$(1.8) million, respectively and not presented in the above table.

Factors Bearing on the County Office's Future

Budget Overview

The Governor signed the 2020-21 Budget Act on June 29, 2020. The 2020-21 budget package assumes total state spending of \$202.1 billion in total state funds, an \$12.7 billion (or 6.28%) over enacted totals for 2019-2020. This consists of \$133.9 billion from the General Fund, \$62.1 billion from special funds and \$6.1 billion from bond funds. The budget package assumes spending from federal funds to be \$159.9 billion, an increase of 21.5 percent over 2019-2020 enacted levels.

Major 2020-21 Budget Assumptions

The Budget takes a combination of steps to offset the more than \$10 billion in revenue loss to K-14 schools caused by the COVID-19 recession, and defers \$12.9 billion in payments into the next fiscal year to preserve programs and provide K-14 schools the resources needed to safely reopen. The state has also committed to purchasing personal protective equipment and other supplies needed to reopen schools safely.

The 2020-21 Budget also allocates a total of \$5.3 billion to mitigate learning loss and support the immediate needs of students and schools, impacted by the pandemic. The Budget proposal allocates \$2.3 billion to the retirement benefit plans to reduce employer contribution rates in the next two years. The Budget commits to making supplemental appropriations above the Proposition 98 guarantee for several years starting in 2021-22 to accelerate General Fund support for schools.

Proposition 98

The COVID-19 Recession has heavily impacted the economy and the state's General Fund revenues. The Budget draws down \$8.8 billion in reserves from the Rainy Day Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all funds in the Public School System Stabilization Account.

The 20-21 budget estimates Proposition 98 funding levels of \$78.5 billion, \$77.7 billion, and \$70.0 billion in fiscal year 2018-19, 2019-20 and 2020-21. The TK–12 portion of Prop 98 funding represents TK–12 per-pupil funding of \$10.654 in 2020-21—a \$1,339 decrease over the 2019-20 per pupil funding levels. In the same period the per pupil spending from all state, federal, and local sources decreased by approximately \$542 per pupil to \$16,881.

CalSTRS and CalPERS Employer Contribution Rates

The 2020-21 budget provide local educational agencies with increased fiscal relief and redirects \$2.3 billion appropriated in the 2019 Budget Act to CalSTRS and CalPERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22.

- The CalSTRS employer contribution rate will further reduce from 18.41 percent to 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22.
- The CalPERS employer contribution rate will further reduce from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent in 2021-22.

Federal Funds

The 2020-21 Budget appropriates additional \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds in addition to the Federal Coronavirus Relief Fund and Governor's Emergency Education Relief Fund. Of the \$1.6 billion in additional revenues, \$1.5 billion is allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs and \$164.7 million for COVID-19 related state-level activities as follows:

- \$112.2 million to provide up to \$0.75 per meal for local educational agencies participating in the National School Lunch Program, School Breakfast Program, Seamless Summer Option, or Summer Food Service Program and serving meals between March 2020 and August 2020 due to physical school closures caused by the COVID-19 pandemic.
- \$45 million for grants to local educational agencies, including county offices of education, to coordinate and expand community schools to increase access to health, mental health, and social service supports for high-needs students.
- \$6 million for the University of California Subject Matter Projects to provide educator professional development for providing high-quality distance learning and addressing learning loss in mathematics, science, and English language arts due to the COVID-19 pandemic.
- \$1.5 million for the Department of Education for state operations costs associated with the COVID-19 pandemic. Spending Changes.

Special Education

The 2020-21 budget increases special education base rates to \$625 per pupil based on the new funding formula and provides \$100 million to increase funding for students with low-incidence disabilities.

The 2020-21 Budget includes the following:

- \$15 million to Federal Individuals with Disabilities Education Act (IDEA) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline.
- \$8.6 million to Federal IDEA funds to assist local educational agencies with developing regional alternative dispute resolution services and statewide mediation services.
- \$1.1 million federal IDEA funds for a study of the current special education governance and accountability structure, as well as : three workgroups to create a statewide Individualized Education Program template, provide recommendations on alternative pathways to a diploma for students with disabilities, and study the costs of out-of-home care.

Operational Funding

Deferrals

The COVID-19 Recession requires \$1.9 billion of Local Control Funding Formula (LCFF) apportionment deferrals in 2019-20, growing to \$11 billion LCFF apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels in both fiscal years; the Budget suspends the statutory LCFF cost-of-living adjustment in 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in 2020-21 if the federal government provides sufficient funding that can be used for this purpose.

Learning Loss Mitigation

The Budget includes a one-time investment of \$5.3 billion, \$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 General Fund, and \$355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures, especially for students most heavily impacted by those closures.

Average Daily Attendance

As a result of COVID-19 pandemic local educational agencies across the state closed classroom instruction and had begun transitioning students and teachers into distance learning models. To ensure funding stability, and for the purpose of calculating apportionment in the 2020-21 fiscal year; the 2019-20 average daily attendance shall be used.

CARES Act Funding for Child Care

The 2020-21 Budget includes \$350.3 million through the federal CARES Act for COVID-19 related childcare activities.

- \$144.3 million for state costs associated with SB 89 expenditures, family fee waivers, and provider payment protection.
- \$125 million for voucher provider hold harmless and stipends.
- At least \$62.5 million for one-time stipends for providers accepting vouchers that offer care during the COVID-19 pandemic.
- \$73 million to continue care for at-risk children and essential workers.
- \$8 million to extend family fee waivers until June 30, 2020.

All of these factors were considered in preparing the Santa Clara County Office of Education's budget for the 2020-21 fiscal year.

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, Director of Internal Business Services.

Santa Clara County Office of Education
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 147,104,608
Receivables	28,152,811
Prepaid items	354,982
Net post employment benefits (OPEB) asset	982,891
Capital assets not depreciated	5,965,473
Capital assets, net of accumulated depreciation	63,733,408
Total assets	246,294,173
Deferred Outflows of Resources	
Deferred charge on refunding	77,782
Deferred outflows of resources related to OPEB	570,258
Deferred outflows of resources related to pensions	49,484,764
Total deferred outflows of resources	50,132,804
Liabilities	
Accounts payable	50,240,542
Interest payable	33,489
Unearned revenue	6,915,774
Long-term liabilities	
Long-term liabilities other than pensions	
Due in one year	930,342
Due in more than one year	11,278,167
Current Portion of Claims Liability	4,307,000
Noncurrent portion of claims liability	9,617,000
Aggregate net pension liabilities	206,112,739
Total liabilities	289,435,053
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	5,645,062
Deferred inflows of resources related to pensions	16,396,668
Total deferred inflows of resources	22,041,730
Net Position	
Net investment in capital assets	65,815,295
Restricted for	
Capital projects	1,879
Educational programs	29,234,320
Cafeteria	482
Self-insurance	8,879,356
OPEB	7,971,143
Unrestricted	(126,952,281)
Total net position	\$ (15,049,806)

Santa Clara County Office of Education

Statement of Activities

Year Ended June 30, 2020

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	\$ 116,449,788	\$ 1,062,938	\$ 43,375,637	\$ (72,011,213)
Instruction-related activities				
Supervision of instruction	26,050,856	2,912,746	12,098,467	(11,039,643)
Instructional library, media, and technology	266,732	3,173	3,536	(260,023)
School site administration	12,803,450	249,181	4,170,524	(8,383,745)
Pupil services				
Home-to-school transportation	1,545,874	652	9,799	(1,535,423)
Food services	1,152,376	176	1,030,719	(121,481)
All other pupil services	39,607,102	752,423	15,479,214	(23,375,465)
Administration				
Data processing	10,887,921	617,773	290,508	(9,979,640)
All other administration	29,520,864	1,410,731	6,684,528	(21,425,605)
Plant services	8,774,870	86,345	1,891,010	(6,797,515)
Ancillary services	4,554,632	2,560,282	1,195,018	(799,332)
Community services	44,170	22,816	10,372	(10,982)
Enterprise services	4,232	2,526	1,148	(558)
Interest on long-term liabilities	97,442	-	-	(97,442)
Other outgo	82,359,496	706,201	40,597,667	(41,055,628)
Total primary government	\$ 334,119,805	\$ 10,387,963	\$ 126,838,147	(196,893,695)
General Revenues and Subventions				
Property taxes, levied for general purposes				152,182,606
Taxes levied for other specific purposes				5,014,439
Federal and State aid not restricted to specific purposes				10,613,695
Interest and investment earnings				2,283,776
Interagency revenues				4,718,841
Miscellaneous				14,861,277
Total general revenues and transfers				189,674,634
Change in Net Position				(7,219,061)
Net Position - Beginning				(7,830,745)
Net Position - Ending				\$ (15,049,806)

Santa Clara County Office of Education

Balance Sheet – Governmental Funds

June 30, 2020

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 113,561,202	\$ 285,701	\$ 3,944,553	\$ 117,791,456
Receivables	23,595,767	2,995,551	1,440,861	28,032,179
Due from other funds	418,846	349,920	-	768,766
Total assets	<u>\$ 137,575,815</u>	<u>\$ 3,631,172</u>	<u>\$ 5,385,414</u>	<u>\$ 146,592,401</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 45,464,526	\$ 3,631,172	\$ 865,351	\$ 49,961,049
Due to other funds	1,613,618	-	420,374	2,033,992
Unearned revenue	3,697,069	-	3,218,705	6,915,774
Total liabilities	<u>50,775,213</u>	<u>3,631,172</u>	<u>4,504,430</u>	<u>58,910,815</u>
Fund Balances				
Nonspendable	25,000	-	-	25,000
Restricted	28,355,713	-	880,984	29,236,697
Assigned	30,552,744	-	-	30,552,744
Unassigned	27,867,145	-	-	27,867,145
Total fund balances	<u>86,800,602</u>	<u>-</u>	<u>880,984</u>	<u>87,681,586</u>
Total liabilities and fund balances	<u>\$ 137,575,815</u>	<u>\$ 3,631,172</u>	<u>\$ 5,385,414</u>	<u>\$ 146,592,401</u>

Santa Clara County Office of Education
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

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

Total fund balance - governmental funds		\$ 87,681,586
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	\$ 116,240,561	
Accumulated depreciation is	<u>(46,541,680)</u>	
Net capital assets		69,698,881
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.		
		(33,489)
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.		
		16,850,499
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings	77,782	
Other postemployment benefits	570,258	
Net pension obligation	<u>49,484,764</u>	
Total deferred outflows of resources		50,132,804
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits	(5,645,062)	
Net pension obligation	<u>(16,396,668)</u>	
Total deferred inflows of resources		(22,041,730)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(206,112,739)
The County Office's OPEB asset is not benefited in the current period, and is not reported as an asset in the funds.		
		982,891

Santa Clara County Office of Education
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

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	\$ (3,480,000)
Premiums on issuance of debt	(481,368)
Compensated absences (vacations)	<u>(8,247,141)</u>

Total long-term liabilities	<u>(12,208,509)</u>
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Total net position - governmental activities	<u><u>\$ (15,049,806)</u></u>
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Santa Clara County Office of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula	\$ 161,687,379	\$ -	\$ -	\$ 161,687,379
Federal sources	44,740,843	28,705,713	1,765,038	75,211,594
Other state sources	16,403,412	11,122,228	6,272,264	33,797,904
Other local sources	47,700,945	1,346,786	78,954	49,126,685
Total revenues	<u>270,532,579</u>	<u>41,174,727</u>	<u>8,116,256</u>	<u>319,823,562</u>
Expenditures				
Current				
Instruction	99,466,194	-	2,441,621	101,907,815
Instruction-related activities				
Supervision of instruction	19,411,793	-	2,988,667	22,400,460
Instructional library, media, and technology	220,879	-	-	220,879
School site administration	10,997,970	-	380,470	11,378,440
Pupil services				
Home-to-school transportation	1,500,784	-	-	1,500,784
Food services	466,486	-	652,277	1,118,763
All other pupil services	34,412,149	-	548,256	34,960,405
Administration				
Data processing	10,312,372	-	-	10,312,372
All other administration	29,989,411	-	405,045	30,394,456
Plant services	8,048,963	-	246,918	8,295,881
Ancillary services	4,321,046	-	-	4,321,046
Community services	42,882	-	-	42,882
Transfer of pass-through revenues	39,723,306	41,111,580	-	80,834,886
Transfers to agencies for services	1,461,463	63,147	-	1,524,610
Enterprise services	4,232	-	-	4,232
Capital outlay	3,439,941	-	-	3,439,941
Debt service				
Principal	-	-	775,000	775,000
Interest and other	-	-	212,750	212,750
Total expenditures	<u>263,819,871</u>	<u>41,174,727</u>	<u>8,651,004</u>	<u>313,645,602</u>
Excess (Deficiency) of Revenues of Revenues Over Expenditures	<u>6,712,708</u>	<u>-</u>	<u>(534,748)</u>	<u>6,177,960</u>
Other Financing Sources (Uses)				
Transfers in	29,595	-	1,050,845	1,080,440
Transfers out	(1,050,845)	-	(29,595)	(1,080,440)
Net Financing Sources (Uses)	<u>(1,021,250)</u>	<u>-</u>	<u>1,021,250</u>	<u>-</u>
Net Change in Fund Balances	5,691,458	-	486,502	6,177,960
Fund Balance - Beginning	81,109,144	-	394,482	81,503,626
Fund Balance - Ending	<u>\$ 86,800,602</u>	<u>\$ -</u>	<u>\$ 880,984</u>	<u>\$ 87,681,586</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, 2020

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

Total net change in fund balances - governmental funds	\$ 6,177,960
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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 expenses in the statement of activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (4,160,788)
Capital outlays	<u>3,439,941</u>

Net expense adjustment	(720,847)
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Gain on disposal of capital assets is reported in the government-wide statement of net position, but is not recorded in the governmental funds.	(197,625)
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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.	(1,993,660)
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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.	(13,928,434)
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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.	(637,282)
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Governmental funds report the effect of premiums, discounts, and the deferred amount 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 amount on refunding amortization	(19,446)

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, 2020

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.

Certificates of participation 775,000

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.

14,412

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.

3,190,519

Change in net position of governmental activities

\$ (7,219,061)

Santa Clara County Office of Education
Statement of Net Position – Proprietary Funds
June 30, 2020

	<u>Governmental Activities - Internal Service Funds</u>
Assets	
Current assets	
Deposits and investments	\$ 29,313,152
Receivables	120,632
Due from other funds	1,265,226
Prepaid expenses	<u>354,982</u>
Total assets	<u>31,053,992</u>
Liabilities	
Current liabilities	
Accounts payable	279,493
Current portion of claims liabilities	<u>4,307,000</u>
Total current liabilities	4,586,493
Noncurrent liabilities	
Claims liabilities	<u>9,617,000</u>
Total liabilities	<u>14,203,493</u>
Net Position	
Restricted	<u>16,850,499</u>
Total net position	<u><u>\$ 16,850,499</u></u>

Santa Clara County Office of Education
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2020

	Governmental Activities - Internal Service Funds
Operating Revenues	
Self-insurance premium	\$ 7,491,141
Contribution for OPEB	1,522,100
Other local revenue	211,687
Total operating revenues	9,224,928
Operating Expenses	
Classified salaries	180,581
Employee benefits	78,901
Supplies and materials	29,354
Contract services and other operating cost	5,745,352
Annual cost of OPEB	516,820
Total operating expenses	6,551,008
Operating Income	2,673,920
Nonoperating Revenues	
Interest income	516,599
Change in Net Position	3,190,519
Total Net Position - Beginning	13,659,980
Total Net Position - Ending	\$ 16,850,499

Santa Clara County Office of Education
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2020

	<u>Governmental Activities - Internal Service Funds</u>
Operating Activities	
Cash receipts from other funds for insurance	\$ 7,716,417
OPEB contribution received from other funds	1,527,038
Cash payments to other suppliers of goods or services	(29,354)
Cash payments to employees for services	(224,199)
Cash payments for claims	(5,794,578)
Cash payments for contributions	(516,820)
	<u>2,678,504</u>
Net Cash from Operating Activities	
Noncapital Financing Activities	
Transfer from other funds	<u>1,163,781</u>
Investing Activities	
Interest on investments	<u>516,599</u>
Net Change in Cash and Cash Equivalents	4,358,884
Cash and Cash Equivalents, Beginning	<u>24,954,268</u>
Cash and Cash Equivalents, Ending	<u>\$ 29,313,152</u>
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	\$ 2,673,920
Changes in assets and liabilities	
Receivables	18,527
Accounts payable	35,283
Claim Liabilities	(49,226)
	<u>2,678,504</u>
Net Cash from Operating Activities	<u>\$ 2,678,504</u>

Santa Clara County Office of Education
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2020

	Warrant Pass-Through Fund
Assets	
Deposits and investments	<u>\$ 180,422,281</u>
Total assets	<u><u>\$ 180,422,281</u></u>
Liabilities	
Warrants payable	\$ 57,585,079
Salaries Payable	120,725,846
Due to other agencies	<u>2,111,356</u>
Total liabilities	<u><u>\$ 180,422,281</u></u>

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 all activities related to public school education as conducted 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 principal, 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 as 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.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the County Office's food service program (*Education Code* Sections 38091 and 38100).

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 assets held in trustee or agent capacity for others that cannot be used to support the County Office's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

- **Warrant-Pass Through Fund** 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. The County Office does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting 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.

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 position 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 position 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 General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, 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.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the County office. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The County Office currently does not have any committed funds.

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. Under the County Office's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts 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, unless the governing board has provided otherwise in its commitment or assignment actions.

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

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations.
- Statement No. 84, Fiduciary Activities.
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.
- Statement No. 90, Majority Equity Interests.
- Statement No. 91, Conduit Debt Obligations.
- Statement No. 92, Omnibus 2020.
- Statement No. 93, Replacement of Interbank Offered Rates.
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits. Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

- Implementation Guide No. 2018-1, Implementation Guidance Update—2018.
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019.
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases.
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the County Office's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the County Office's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement 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, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the County Office's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the County Office's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the County Office's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, 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.

Early implementation is encouraged. The effects of this change on the County Office's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the County Office's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the County Office's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the County Office's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the County Office's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 117,791,456
Proprietary funds	29,313,152
Fiduciary funds	<u>180,422,281</u>
Total deposits and investments	<u><u>\$ 327,526,889</u></u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 180,422,282
Cash in revolving	25,000
Investments	<u>147,079,607</u>
Total deposits and investments	<u><u>\$ 327,526,889</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 cost and fair value of the deposits with County Treasurer at June 30, 2020 approximate cost, and the weighted average maturity of the pool was 517 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, 2020.

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 percent 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. The County Office does not have any significant exposure to custodial credit risk. As of June 30, 2020, the County Office's bank balance was not exposed to custodial credit risk.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs – Quoted prices in active markets for identical assets that the County Office has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 inputs – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 inputs – Unobservable inputs should be developed using the best information available under the circumstances, which might include the County Office's own data. The County Office should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the County Office are not available to other market participants.

Uncategorized – Investments in the County Treasury Investment Pool are not measured using the input levels above because the County Office's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. As of June 30, 2020, all of the County Office's investment is in the Santa Clara County Treasury and are reported as uncategorized. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

Note 3 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	County School Service Fund	Sepcial Education Pass Through Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
Federal Government					
Categorical aid	\$ 13,335,657	\$ 2,641	\$ 592,359	\$ 13,930,657	\$ -
State Government					
LCFF apportionment	693,158	-	-	693,158	-
Categorical aid	2,763,614	2,992,910	838,475	6,594,999	-
Lottery	87,257	-	-	87,257	-
Local Government					
Interest	5,085	-	10,027	15,112	115,698
Other local sources	6,710,996	-	-	6,710,996	4,934
Total	\$ 23,595,767	\$ 2,995,551	\$ 1,440,861	\$ 28,032,179	\$ 120,632

Note 4 - Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2020 is shown below:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,533,399	\$ -	\$ -	\$ 5,533,399
Construction in progress	2,937,671	432,074	(2,937,671)	432,074
Total capital assets not being depreciated	8,471,070	432,074	(2,937,671)	5,965,473
Capital assets being depreciated				
Buildings and improvements	87,294,837	5,228,878	-	92,523,715
Furniture and equipment	17,289,628	716,660	(254,915)	17,751,373
Total capital assets being depreciated	104,584,465	5,945,538	(254,915)	110,275,088
Total capital assets	113,055,535	6,377,612	(3,192,586)	116,240,561
Accumulated depreciation				
Buildings and improvements	(30,918,335)	(3,151,733)		(34,070,068)
Furniture and equipment	(11,519,847)	(1,009,055)	57,290	(12,471,612)
Total accumulated depreciation	(42,438,182)	(4,160,788)	57,290	(46,541,680)
Governmental activities capital assets, net	<u>\$ 70,617,353</u>	<u>\$ 2,216,824</u>	<u>\$ (3,135,296)</u>	<u>\$ 69,698,881</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 1,875,710
Supervision of instruction	412,302
Instructional library, media, and technology	4,065
School site administration	209,431
Home-to-school transportation	27,623
Food services	20,592
All other pupil services	643,479
Ancillary services	79,533
Community services	789
Data processing	189,809
All other administration	559,439
Plant services	138,016
	<u>138,016</u>
Total depreciation expenses governmental activities	<u><u>\$ 4,160,788</u></u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2020, are as follows:

Due To	Due From			Total
	County School Service Fund	Special Education Pass Through	Internal Service Fund	
County School Service Fund	\$ -	\$ 349,920	\$ 1,263,698	\$ 1,613,618
Non-Major Governmental Funds	418,846	-	1,528	420,374
	<u>418,846</u>	<u>349,920</u>	<u>1,265,226</u>	<u>2,033,992</u>
Total	<u><u>\$ 418,846</u></u>	<u><u>\$ 349,920</u></u>	<u><u>\$ 1,265,226</u></u>	<u><u>\$ 2,033,992</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, 2020, consisted of the following:

Transfer To	Transfer From		Total
	County School Service Fund	Non-Major Governmental Funds	
County School Service Fund	\$ -	\$ 1,050,845	\$ 1,050,845
Non-Major Governmental Funds	29,595	-	29,595
Total	<u>\$ 29,595</u>	<u>\$ 1,050,845</u>	<u>\$ 1,080,440</u>

The Child Development Fund transferred to the County School Service Fund for reimbursement. \$ 29,595

The County School Service fund transferred to County School Facilities Fund for routine maintenance. 63,094

The County School Service Fund transfers to the Debt Service Fund for COP principal and interest payments. 987,751

Total \$ 1,080,440

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 \$65,815,292 includes the effect of deferring the recognition of loss from advance refunding. The \$77,782 balance of the deferred outflows of resources at June 30, 2020, 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, 2019	Additions	Deductions	Balance June 30, 2020
Deferred charges on refunding	<u>\$ 97,228</u>	<u>\$ -</u>	<u>\$ (19,446)</u>	<u>\$ 77,782</u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 9,160,539	\$ 3,631,172	\$ 853,290	\$ 13,645,001	\$ 279,493
State LCFF apportionment	35,897,407	-	-	35,897,407	-
Salaries and benefits	406,580	-	12,061	418,641	-
Total	\$ 45,464,526	\$ 3,631,172	\$ 865,351	\$ 49,961,049	\$ 279,493

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consists of the following:

	County School Service Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 437,575	\$ -	\$ 437,575
State categorical aid	1,276,787	3,218,705	4,495,492
Other local	1,982,707	-	1,982,707
Total	\$ 3,697,069	\$ 3,218,705	\$ 6,915,774

Note 9 - Long-Term Liabilities other than Claim Liabilities 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, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
Certificates of participation	\$ 4,255,000	\$ -	\$ (775,000)	\$ 3,480,000	\$ 810,000
Premiums on issuance of debt	601,710	-	(120,342)	481,368	120,342
Compensated absences	6,253,481	1,993,660	-	8,247,141	-
 Total	 \$ 11,110,191	 \$ 1,993,660	 \$ (895,342)	 \$ 12,208,509	 \$ 930,342

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 percent to 5.0 percent.

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

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ 810,000	\$ 174,000	\$ 984,000
2022	850,000	133,500	983,500
2023	885,000	91,000	976,000
2024	935,000	46,750	981,750
 Total	 \$ 3,480,000	 \$ 445,250	 \$ 3,925,250

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	County School Service Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	\$ 25,000	\$ -	\$ 25,000
Restricted			
Education programs	28,355,713	879,089	29,234,802
Capital projects	-	1,879	1,879
Debt service	-	16	16
Total restricted	<u>28,355,713</u>	<u>880,984</u>	<u>29,236,697</u>
Assigned			
Board designation	176,000	-	176,000
Deferred maintenance (FMP)	3,368,950	-	3,368,950
Facilities	5,724,708	-	5,724,708
Technology services	10,221,610	-	10,221,610
Employee benefits	4,304,790	-	4,304,790
County property taxes	2,489,934	-	2,489,934
Carryover of unspent funds	4,266,752	-	4,266,752
Total assigned	<u>30,552,744</u>	<u>-</u>	<u>30,552,744</u>
Unassigned			
Reserve for economic uncertainties	10,594,844	-	10,594,844
Remaining unassigned	17,272,301	-	17,272,301
Total unassigned	<u>27,867,145</u>	<u>-</u>	<u>27,867,145</u>
Total	<u>\$ 86,800,602</u>	<u>\$ 880,984</u>	<u>\$ 87,681,586</u>

Note 11 - Net Other Postemployment Benefit (OPEB) Asset

For the fiscal year ended June 30, 2020, 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 Expense
Retiree Health Plan	\$ 982,891	\$ 570,258	\$ 5,645,062	\$ 637,282

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, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	69
Active employees	1,524
Total	1,593

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.

The same medical coverage as provided to active employees is provide 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 percent.
- For ACE/CTA/psychologists, the percentage is 50 percent after 10 years of employment, 75 percent after 15 years, and 100 percent after 20 years.
- For management and Superintendent, 3.3 percent for each year of service (100 percent after 30 years).

Contributions

The required contribution is based on projected pay-as-you-go financing requirements which is paid by the employer only. For fiscal year as of June 30, 2020, the County Office contributed \$570,258 to the Plan, all of which is used for Fiscal year 2021 benefit payment.

Actuarial Assumptions

The net OPEB liability as of June 30, 2020 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the net OPEB liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

The net OPEB asset in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	6/30/2019
Inflation	3 percent
Salary increases	3 percent, average, including inflation
Discount rate	0 percent
Investment rate of return	6 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6 percent

Mortality rates were based on the 2016 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table 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, 2019 valuation were based on 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	59%	6.00%
Fixed Income	25%	4.00%
Treasury Inflation Protection Securities	5%	1.80%
Real Estate Investment Trusts	8%	4.50%
Commodities	3%	(13.3%)

Discount Rate

The discount rate used to measure the net OPEB liability (asset) was 6 percent. 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 liability (asset).

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance, June 30, 2019	\$ 22,220,134	\$ 24,000,000	\$ (1,779,866)
Service cost	1,918,055	-	1,918,055
Interest	1,304,582	-	1,304,582
Contributions	-	954,200	(954,200)
Net investment income	-	1,483,276	(1,483,276)
Benefit payments	(954,200)	(954,200)	-
Administrative expense	-	(11,814)	11,814
Net change in total OPEB liability (Asset)	2,268,437	1,471,462	796,975
Balance, June 30, 2020	\$ 24,488,571	\$ 25,471,462	\$ (982,891)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the County Office, as well as what the County Office's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5 percent) or 1-percentage-point higher (7 percent) than the current discount rate:

<u>Discount Rate</u>	<u>Net OPEB Liability (Asset)</u>
1% decrease (5%)	\$ 1,682,370
Current discount rate (6%)	(982,891)
1% increase (7%)	(3,320,347)

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Net OPEB Liability (Asset)</u>
1% decrease (5%)	\$ (3,857,043)
Current healthcare cost trend rate (6%)	(982,891)
1% increase (7%)	2,405,337

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

For the year ended June 30, 2020, the County Office recognized OPEB expense of \$637,282. At June 30, 2020, the County Office reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$570,258.

At June 30, 2020, 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>
OPEB contributions subsequent to measurement date	\$ 570,258	\$ -
Differences between expected and actual experience	-	5,610,158
Net difference between projected and actual earnings on OPEB plan investments	-	34,904
	<u> </u>	<u> </u>
Total	<u>\$ 570,258</u>	<u>\$ 5,645,062</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
2021	\$ (472,375)
2022	(472,375)
2023	(472,375)
2024	(472,375)
2025	(463,649)
Thereafter	(3,291,913)
Total	<u>\$ (5,645,062)</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, 2020, the County Office reported 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	\$ 80,748,956	\$ 20,891,511	\$ 9,634,472	\$ 9,177,327
CalPERS	125,363,783	28,593,253	6,762,196	20,052,356
Total	<u>\$ 206,112,739</u>	<u>\$ 49,484,764</u>	<u>\$ 16,396,668</u>	<u>\$ 29,229,683</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, 2018, 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 percent 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, 2020, 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	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

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 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the County Office's total contributions were \$9,043,426.

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

At June 30, 2020, 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	\$ 80,748,956
State's proportionate share of the net pension liability	<u>44,053,946</u>
 Total	 <u><u>\$ 124,802,902</u></u>

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.0894 percent and 0.0918 percent, resulting in a net decrease in the proportionate share of 0.0024 percent.

For the year ended June 30, 2020, the County Office recognized pension expense of \$9,177,327. In addition, the County Office recognized pension expense and revenue of \$6,560,583 for support provided by the State.

At June 30, 2020, 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	\$ 9,043,426	\$ -
Change in proportion and differences between contributions made and County Office's proportionate share of contributions	1,431,259	4,248,585
Differences between projected and actual earnings on pension plan investments	-	3,110,475
Differences between expected and actual experience in the measurement of the total pension liability	203,848	2,275,412
Changes of assumptions	<u>10,212,978</u>	<u>-</u>
 Total	 <u><u>\$ 20,891,511</u></u>	 <u><u>\$ 9,634,472</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>
2021	\$ (313,746)
2022	(2,469,351)
2023	(512,675)
2024	<u>185,297</u>
Total	<u>\$ (3,110,475)</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>
2021	\$ 1,505,651
2022	1,416,777
2023	1,763,060
2024	2,045,718
2025	(916,305)
Thereafter	<u>(490,813)</u>
Total	<u>\$ 5,324,088</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, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) 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 February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS 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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. 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 (7.10 percent) and assuming 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%)	\$ 120,241,880
Current discount rate (7.10%)	80,748,956
1% increase (8.10%)	48,001,802

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, 2018 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	19.721%	19.721%

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, 2020, are presented above and the total County Office contributions were \$12,562,943.

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

As of June 30, 2020, the County Office reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$125,363,783. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.4301 percent and 0.4623 percent, resulting in a net decrease in the proportionate share of 0.0322 percent.

Santa Clara County Office of Education

Notes to Financial Statements

June 30, 2020

For the year ended June 30, 2020, the County Office recognized pension expense of \$20,052,356. At June 30, 2020, 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	\$ 12,562,943	\$ -
Change in proportion and differences between contributions made and County Office's proportionate share of contributions	956,162	5,599,424
Differences between projected and actual earnings on pension plan investments	-	1,162,772
Differences between expected and actual experience in the measurement of the total pension liability	9,106,442	-
Changes of assumptions	5,967,706	-
Total	\$ 28,593,253	\$ 6,762,196

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:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 1,147,785
2022	(2,292,664)
2023	(347,424)
2024	329,531
Total	\$ (1,162,772)

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/(Inflows) of Resources
2021	\$ 8,619,343
2022	2,091,500
2023	(254,509)
2024	(25,448)
Total	<u>\$ 10,430,886</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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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 percent 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 percent. 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%)	\$ 180,703,652
Current discount rate (7.15%)	125,363,783
1% increase (8.15%)	79,455,541

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 \$4,601,585 (10.328 percent 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 General Fund - Budgetary Comparison Schedule.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 20182019–2019 2020 contribution on-behalf of school employers of \$2.2461.1 billion for CalSTRS. and \$904 million for CalPERS. A proportionate share of these contributions in the amount of \$1,543,526 have been recorded in these financial statements. On behalf payments related to these additional contributions have been included in the calculation of available reserves and the budgeted amounts reported in the General 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, 2020, 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	\$ 350,000
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, 2018 to June 30, 2020:

	<u>Total</u>
Liability Balance, July 1, 2018	\$ 12,708,000
Claims and changes in estimates	4,422,000
Claims payments	<u>(4,422,000)</u>
Liability Balance, June 30, 2019	12,708,000
Claims and changes in estimates	5,523,000
Claims payments	<u>(4,307,000)</u>
Liability Balance, June 30, 2020	<u>\$ 13,924,000</u>
Assets available to pay claims at June 30, 2020	<u>\$ 23,082,849</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, 2020.

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, 2020.

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.

COVID-19

The County Office has been negatively impacted by the effects of the world-wide coronavirus pandemic. The County Office is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the County Office's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Santa Clara County Office of Education
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local control funding formula	\$ 153,359,945	\$ 157,373,401	\$ 161,687,379	\$ 4,313,978
Federal sources	44,783,073	55,381,637	44,740,843	(10,640,794)
Other State sources	13,521,525	16,443,001	16,403,412	(39,589)
Other local sources	42,365,508	46,194,614	47,700,945	1,506,331
Total revenues	<u>254,030,051</u>	<u>275,392,653</u>	<u>270,532,579</u>	<u>(4,860,074)</u>
Expenditures				
Current				
Certificated salaries	56,234,044	58,606,138	56,666,292	1,939,846
Classified salaries	64,923,549	66,452,119	64,571,896	1,880,223
Employee benefits	59,604,631	59,831,197	58,875,885	955,312
Books and supplies	5,809,282	10,577,340	4,629,983	5,947,357
Services and operating expenditures	36,759,816	59,637,481	34,856,152	24,781,329
Other outgo	31,809,703	34,184,177	40,779,723	(6,595,546)
Capital outlay	10,780,662	13,043,688	3,439,940	9,603,748
Total expenditures	<u>265,921,687</u>	<u>302,332,140</u>	<u>263,819,871</u>	<u>38,512,269</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(11,891,636)</u>	<u>(26,939,487)</u>	<u>6,712,708</u>	<u>33,652,195</u>
Other Financing Sources (Uses)				
Transfers in	-	-	29,595	29,595
Transfers out	(987,750)	(1,017,740)	(1,050,845)	(33,105)
Net financing sources (uses)	<u>(987,750)</u>	<u>(1,017,740)</u>	<u>(1,021,250)</u>	<u>(3,510)</u>
Net Change in Fund Balances	(12,879,386)	(27,957,227)	5,691,458	33,648,685
Fund Balance - Beginning	81,109,144	81,109,144	81,109,144	-
Fund Balance - Ending	<u>\$ 68,229,758</u>	<u>\$ 53,151,917</u>	<u>\$ 86,800,602</u>	<u>\$ 33,648,685</u>

Santa Clara County Office of Education
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 28,990,287	\$ 56,874,658	\$ 28,705,713	\$ (28,168,945)
Other State sources	9,365,515	9,365,515	11,122,228	1,756,713
Other local sources	1,283,638	1,283,638	1,346,786	63,148
Total revenues	<u>39,639,440</u>	<u>67,523,811</u>	<u>41,174,727</u>	<u>(26,349,084)</u>
Expenditures				
Current				
Other outgo	<u>39,639,440</u>	<u>67,523,811</u>	<u>41,174,727</u>	<u>(26,349,084)</u>
Total expenditures	<u>39,639,440</u>	<u>67,523,811</u>	<u>41,174,727</u>	<u>(26,349,084)</u>
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 1,918,055	\$ 2,177,330	\$ 2,054,085
Interest	1,304,582	1,532,235	1,381,780
Difference between expected and actual experience	-	(6,537,456)	-
Benefit payments	(954,200)	(978,447)	(878,106)
Net change in total OPEB liability	2,268,437	(3,806,338)	2,557,759
Total OPEB Liability - Beginning	22,220,134	26,026,472	23,468,713
Total OPEB Liability - Ending (a)	<u>\$ 24,488,571</u>	<u>\$ 22,220,134</u>	<u>\$ 26,026,472</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 954,200	\$ 24,978,447	\$ -
Net investment income	1,483,276	-	-
Benefit payments	(954,200)	(978,447)	-
Administrative expense	(11,814)	-	-
Net change in plan fiduciary net position	1,471,462	24,000,000	-
Plan Fiduciary Net Position - Beginning	24,000,000	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 25,471,462</u>	<u>\$ 24,000,000</u>	<u>\$ -</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ (982,891)</u>	<u>\$ (1,779,866)</u>	<u>\$ 26,026,472</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	104.01%	108.01%	0.00%
Covered Payroll	\$ 116,447,583	\$ 111,870,369	\$ 108,746,865
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	-0.84%	-1.59%	23.9%
Measurement Date	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 County Office's OPEB Contributions
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 954,200	\$ 24,978,447	\$ -
Contribution in relation to the actuarially determined contribution	<u>954,200</u>	<u>24,978,447</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 116,588,909</u>	<u>\$ 108,802,082</u>	<u>\$ 110,662,183</u>
Contributions as a percentage of covered payroll	<u>0.82%</u>	<u>22.96%</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, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.0894%	0.0918%	0.0954%	0.0920%	0.0930%	0.0950%
Proportionate share of the net pension liability	\$ 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	44,053,946	48,292,615	52,211,755	42,436,000	33,247,000	33,379,000
Total	<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	<u>\$ 49,050,504</u>	<u>\$ 49,538,209</u>	<u>\$ 54,365,000</u>	<u>\$ 45,928,000</u>	<u>\$ 43,339,000</u>	<u>\$ 42,132,000</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>164.62%</u>	<u>170.27%</u>	<u>162.34%</u>	<u>162.29%</u>	<u>145.05%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	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	0.4301%	0.4623%	0.4651%	0.4410%	0.4690%	0.5080%
Proportionate share of the net pension liability	<u>\$ 125,363,783</u>	<u>\$ 123,272,428</u>	<u>\$ 111,033,215</u>	<u>\$ 87,140,000</u>	<u>\$ 69,188,000</u>	<u>\$ 87,140,000</u>
Covered payroll	<u>\$ 59,751,578</u>	<u>\$ 60,985,937</u>	<u>\$ 59,344,000</u>	<u>\$ 52,933,000</u>	<u>\$ 51,965,000</u>	<u>\$ 52,933,000</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>209.81%</u>	<u>202.13%</u>	<u>187.10%</u>	<u>164.62%</u>	<u>133.14%</u>	<u>164.62%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	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 County Office's Pension Contributions
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS						
Contractually required contribution	\$ 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>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>
Covered payroll	<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>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	\$ 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>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>
Covered payroll	<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>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</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* – No Change in the current year.
- *Change in Assumptions* – No Change in the current year.

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.



Supplementary Information
June 30, 2020

Santa Clara County Office of Education

Santa Clara County Office of Education
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Direct Grant				
Preschool Development Grants	84.419C		\$ 21,919	\$ -
Passed Through California Department of Education (CDE)				
Special Education Cluster				
Special Education Grants to States - Basic Local Assistance	84.027	13379	29,265,836	27,109,010
Special Education Grants to States - Mental Health	84.027	14468	1,351,363	1,330,405
Special Education Preschool Grants				
Special Education Preschool Grants	84.173	13430	772,055	669,287
Special Education Preschool Grants				
Preschool Staff Development	84.173	13431	6,085	5,303
Alternative Disppute Resolution	84.173	13007	12,481	-
Preschool Capacity Building Project	84.173	13839	94,745	-
Total Special Education Cluster			<u>31,502,565</u>	<u>29,114,005</u>
Migrant Education State Grant Program				
Part C, Migrant Education Regular Programs	84.011	14838	7,119,523	-
Part C, Migrant Education Summer Programs	84.011	14768	380,208	-
			<u>7,499,731</u>	<u>-</u>
Title I Grants to Local Educational Agencies				
Part A, Basic Grants Low Income and Neglected	84.010	14329	1,575,824	-
Statewide System School Support	84.010	14416	-	-
Part D, Subpart 2, Local Delinquent Programs	84.010	14357	1,013,175	-
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	701,343	-
			<u>3,290,342</u>	<u>-</u>
English Language Acquisition State Grants - LEP				
Limited English Proficiency Student	84.365	14346	96,960	-
Technical Assistance	84.365	14967	157,350	-
			<u>254,310</u>	<u>-</u>
Special Education-Grants for Infants and Families	84.181	23761	787,560	-
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	4,390	-
Student Support and Academic Enrichment Program	84.424	15396	35,948	-
Education for Homeless Children and Youth	84.196	14332	56,084	-
Total U.S. Department of Education			<u>43,452,849</u>	<u>29,114,005</u>

Santa Clara County Office of Education
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed through CDE:				
Child Development Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	13979	\$ 1,096,050	\$ -
Federal Quality Improvement Activities	93.575	13946	56,104	-
Local Planning Councils			<u>1,152,154</u>	<u>-</u>
Total Child Development Cluster				
Head Start	93.600	10016	<u>28,691,371</u>	<u>-</u>
Total U.S. Department of Health and Human Services Human Services			<u>29,843,525</u>	<u>-</u>
U.S. Department of Agriculture				
Passed Through California Department of Education				
Child and Adult Care Food Program				
Centers and Families Claims	10.558	13393	588,047	-
CCFR Cash in Lieu of Commodities	10.558	13389	24,837	-
			<u>612,884</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>612,884</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 73,909,258</u>	<u>\$ 29,114,005</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.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Claudia Rossi	President	2022
Kathleen M. King	Vice President	2022
Joseph Di Salvo	Member	2024
Peter Ortiz	Member	2022
Victoria Chon	Member	2024
Grace H. Mah	Member	2024
Rosemary Kamei	Member	2024

ADMINISTRATION

Mary Ann Dewan, Ph.D.	County Superintendent of Schools
Steve Olmos, Ed.D.	Assistant Superintendent, Student Services & Support
Jessica Bonduris, Ed.D.	Assistant Superintendent of Educational Services
Eric R. Dill	Chief Business Officer
Anisha Munshi, Ed.D.	Assistant Superintendent of Professional Learning and Instruction Support
David Wu	Chief Technology Officer
Dr. Gary Waddell, 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, 2020

	Second Period Report	Annual Report
The County Office		
Elementary:		
Juvenile Halls, Homes and Camp	2.87	2.87
Probation Referred	9.34	9.34
	12.21	12.21
Total Elementary	12.21	12.21
Secondary		
Juvenile Halls, Homes and Camp	191.83	191.83
Probation Referred	76.91	76.91
	268.74	268.74
Total Secondary	268.74	268.74
Total County Office	280.95	280.95
Charter School		
Certificate Numbers	F762E47D	19B49C00
Opportunity Youth (Nonclassroom-Based)		
Secondary:		
Probation Referred	183.35	215.33
	183.35	215.33

Santa Clara County Office of Education

Schedule of Charter Schools

Year Ended June 30, 2020

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
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
1665	Spark Charter	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, 2020

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

Santa Clara County Office of Education
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund				
Revenues	\$ 265,702,079	\$ 270,532,579	\$ 266,450,345	\$ 249,040,954
Other sources	-	29,595	-	-
Total Revenues and Other Sources	<u>265,702,079</u>	<u>270,562,174</u>	<u>266,450,345</u>	<u>249,040,954</u>
Expenditures	286,515,512	263,819,871	255,349,104	243,569,124
Other uses and transfers out	984,000	1,050,845	981,960	2,164,037
Total Expenditures and Other Uses	<u>287,499,512</u>	<u>264,870,716</u>	<u>256,331,064</u>	<u>245,733,161</u>
Increase/(Decrease) in Fund Balance	<u>(21,797,433)</u>	<u>5,691,458</u>	<u>10,119,281</u>	<u>3,307,793</u>
Ending Fund Balance	<u>\$ 65,003,169</u>	<u>\$ 86,800,602</u>	<u>\$ 81,109,144</u>	<u>\$ 70,989,863</u>
Available Reserves ³	<u>\$ 30,771,882</u>	<u>\$ 27,867,145</u>	<u>\$ 25,179,836</u>	<u>\$ 17,904,602</u>
Available Reserves as a Percentage of Total Outgo	<u>10.70%</u>	<u>10.52%</u>	<u>9.82%</u>	<u>7.29%</u>
Long-Term Liabilities	<u>\$ 221,770,564</u>	<u>\$ 227,007,906</u>	<u>\$ 226,120,298</u>	<u>\$ 249,778,767</u>
K-12 Average Daily Attendance at P-2 ²	<u>310</u>	<u>281</u>	<u>237</u>	<u>243</u>

The County School Service Fund balance has increased by \$15,810,739 over the past two years. The fiscal year 2020-2021 budget projects a decrease of \$21,797,433. 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, 2020.

The County Office has incurred operating surpluses in all of the past three years, but anticipates incurring an operating deficit during the 2020-2021 fiscal year.

Total long-term liabilities have decreased by \$22,770,861 over the past two years.

Average daily attendance (ADA) has increased by 38 over the past two years. A further increase of 29 ADA is anticipated during the 2020-2021 fiscal year.

¹ Budget 2021 is included for analytical purposes only and has not been subjected to audit.

² The ADA does not include charter school.

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, 2020

	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Debt Service Fund	Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 3,942,179	\$ 483	\$ 1,875	\$ 16	\$ 3,944,553
Receivables	1,440,856	1	4	-	1,440,861
Total assets	\$ 5,383,035	\$ 484	\$ 1,879	\$ 16	\$ 5,385,414
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 865,351	\$ -	\$ -	\$ -	\$ 865,351
Due to other funds	420,372	2	-	-	420,374
Unearned revenue	3,218,705	-	-	-	3,218,705
Total liabilities	4,504,428	2	-	-	4,504,430
Fund Balances					
Restricted	878,607	482	1,879	16	880,984
Total fund balances	878,607	482	1,879	16	880,984
Total liabilities and fund balances	\$ 5,383,035	\$ 484	\$ 1,879	\$ 16	\$ 5,385,414

Santa Clara County Office of Education

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2020

	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Debt Service Fund	Non-Major Governmental Funds
Revenues					
Federal sources	\$ 1,765,038	\$ -	\$ -	\$ -	\$ 1,765,038
Other State sources	6,670,325	-	(398,061)	-	6,272,264
Other local sources	73,665	480	4,796	13	78,954
Total revenues	8,509,028	480	(393,265)	13	8,116,256
Expenditures					
Current					
Instruction	2,441,621	-	-	-	2,441,621
Instruction-related activities					
Supervision of instruction	2,988,667	-	-	-	2,988,667
School site administration	380,470	-	-	-	380,470
Pupil services					
Food services	652,277	-	-	-	652,277
All other pupil services	548,256	-	-	-	548,256
Administration					
All other administration	405,045	-	-	-	405,045
Plant services	246,918	-	-	-	246,918
Debt service					
Principal	-	-	-	775,000	775,000
Interest and other	-	-	-	212,750	212,750
Total expenditures	7,663,254	-	-	987,750	8,651,004
Excess (Deficiency) of Revenues Over Expenditures	845,774	480	(393,265)	(987,737)	(534,748)
Other Financing Sources (Uses)					
Transfers in	-	-	63,094	987,751	1,050,845
Transfers out	(29,595)	-	-	-	(29,595)
Net Financing Sources (Uses)	(29,595)	-	63,094	987,751	1,021,250
Net Change in Fund Balances	816,179	480	(330,171)	14	486,502
Fund Balance - Beginning	62,428	2	332,050	2	394,482
Fund Balance - Ending	\$ 878,607	\$ 482	\$ 1,879	\$ 16	\$ 880,984

Santa Clara County Office of Education
Combining Statement of Net Position – Internal Service Funds
June 30, 2020

	Self Insurance	OPEB	Internal Service Funds Total
Assets			
Current assets			
Deposits and investments	\$ 21,374,091	\$ 7,939,061	\$ 29,313,152
Receivables	88,550	32,082	120,632
Due from other funds	1,265,226	-	1,265,226
Prepaid expenses	354,982	-	354,982
	23,082,849	7,971,143	31,053,992
Total assets			
Liabilities			
Current liabilities			
Accounts payable	279,493	-	279,493
Portion of claims liabilities	4,307,000	-	4,307,000
	4,586,493	-	4,586,493
Total current liabilities			
Noncurrent liabilities			
Claims liabilities	9,617,000	-	9,617,000
	14,203,493	-	14,203,493
Total liabilities			
Net Position			
Restricted	8,879,356	7,971,143	16,850,499
	8,879,356	7,971,143	16,850,499
Total net position	\$ 8,879,356	\$ 7,971,143	\$ 16,850,499

Santa Clara County Office of Education
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Services Funds
June 30, 2020

	Self Insurance	OPEB	Internal Service Fund Total
Operating Revenues			
Contribution for Insurance Premium	\$ 7,491,141	\$ -	\$ 7,491,141
Contribution for OPEB	-	1,522,100	1,522,100
Other local revenue	211,687	-	211,687
Total operating revenues	<u>7,702,828</u>	<u>1,522,100</u>	<u>9,224,928</u>
Operating Expenses			
Classified Salaries	180,581	-	180,581
Employee Benefits	78,901	-	78,901
Supplies and materials	29,354	-	29,354
Contract services and other operating cost	5,745,352	-	5,745,352
Annual cost of OPEB	-	516,820	516,820
Total operating expenses	<u>6,034,188</u>	<u>516,820</u>	<u>6,551,008</u>
Operating Income	1,668,640	1,005,280	2,673,920
Nonoperating Revenues			
Interest income	<u>372,476</u>	<u>144,123</u>	<u>516,599</u>
Change in Net Position	2,041,116	1,149,403	3,190,519
Total Net Position - Beginning	<u>6,838,240</u>	<u>6,821,740</u>	<u>13,659,980</u>
Total Net Position - Ending	<u>\$ 8,879,356</u>	<u>\$ 7,971,143</u>	<u>\$ 16,850,499</u>

Santa Clara County Office of Education
Combining Statement of Cash Flows – Internal Services Funds
June 30, 2020

	Self Insurance	OPEB	Internal Service Fund Total
Operating Activities			
Cash receipts from other funds for insurance	\$ 7,716,417	\$ -	\$ 7,716,417
OPEB contribution received from other funds	-	1,527,038	1,527,038
Cash payments to other suppliers of goods or services	(29,354)	-	(29,354)
Cash payments to employees for services	(224,199)	-	(224,199)
Cash payments for claims	(5,794,578)	-	(5,794,578)
Cash payments for contributions	-	(516,820)	(516,820)
Net Cash from Operating Activities	1,668,286	1,010,218	2,678,504
Noncapital Financing Activities			
Transfer from other funds	1,163,781	-	1,163,781
Investing Activities			
Interest on investments	372,476	144,123	516,599
Net Change in Cash and Cash Equivalents	3,204,543	1,154,341	4,358,884
Cash and Cash Equivalents, Beginning	18,169,548	6,784,720	24,954,268
Cash and Cash Equivalents, Ending	\$ 21,374,091	\$ 7,939,061	\$ 29,313,152
Reconciliation of Operating Income to Net Cash From Operating Activities			
Operating income	\$ 1,668,640	\$ 1,005,280	\$ 2,673,920
Changes in assets and liabilities			
Receivables	13,589	4,938	18,527
Accounts payable	35,283	-	35,283
Claim liabilities	(49,226)	-	(49,226)
Net Cash from Operating Activities	\$ 1,668,286	\$ 1,010,218	\$ 2,678,504

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, 2020. 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.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	Amount
Total Federal Revenues reported on the financial statements	\$ 75,211,594
Medical Assistance Program	(1,048,148)
Education Technology K-12 Voucher Program	(254,188)
Total Schedule of Expenditures of Federal Awards	\$ 73,909,258

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 County Offices. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Due to school closures caused by COVID-19, the County Office filed the COVID-19 School Closure Certification certifying that schools were closed for 98 days due to the pandemic.

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.



Independent Auditor's Reports
June 30, 2020

Santa Clara County Office of Education



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

Board of Education
Santa Clara County Office 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, the business-type activities, the aggregate discretely presented component units, 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, 2020, 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 December 21, 2020.

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.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California
December 21, 2020



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

Board of Education
Santa Clara County Office of Education
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Santa Clara County Office of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Santa Clara County Office of Education's major federal programs for the year ended June 30, 2020. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Santa Clara County Office of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Santa Clara County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Santa Clara County Office of Education's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Menlo Park, California
December 21, 2020

Independent Auditor's Report on State Compliance

Board of Education
Santa Clara County Office of Education
San Jose, California

Report on State Compliance

We have audited Santa Clara County Office of Education's (the County Office) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the County Office's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the County Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the County Office's compliance.

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
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
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	No, see below
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
County Office 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:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instruction 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.

School Accountability Report Card

School Accountability Report Card does not apply to the County Office; therefore, we did not perform procedures related to School Accountability Report Card.

Middle or Early College High Schools

The County Office does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

K-3 Grade Span Adjustment

The County Office does not provide classes for grades K-3; 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 does not offer the program.

Independent Study - Course Based

The County Office does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Program.

Mode of Instruction and Annual Instruction Minutes Classroom-Based

We did not perform procedures for the Charter Schools Mode of Instruction nor Annual Instruction Minutes Classroom-Based because the County Office's charter school is entirely nonclassroom-based.

Annual Instruction Minutes Classroom-Based

We did not perform testing for Annual Instructional Minutes Classroom-Based because the charter school is nonclassroom-based instruction.

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.

Unmodified Opinion

In our opinion, Santa Clara County Office of Education complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Menlo Park, California
December 21, 2020

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>
Special Education Cluster	84.027, 84.173
Dollar threshold used to distinguish between type A and type B programs:	\$2,217,278
Auditee qualified as low-risk auditee?	No

STATE COMPLIANCE

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

None reported.