

**ALPINE COUNTY OFFICE OF EDUCATION
COUNTY OF ALPINE
MARKLEEVILLE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2020

ALPINE COUNTY OFFICE OF EDUCATION

JUNE 30, 2020

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ALPINE COUNTY OFFICE OF EDUCATION

JUNE 30, 2020

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FINANCIAL SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Alpine County Office of Education
Markleeville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine 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 the District'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, each major fund, and the aggregate remaining fund information of the Alpine County Office of Education, as of June 30, 2020, and the respective changes in financial position 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, the budgetary comparison information, schedules of the proportionate share of the net pension liabilities, and schedules of 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 the Alpine County Office of Education's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and 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 supplementary information listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021 on our consideration of the Alpine County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alpine 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 Alpine County Office of Education's internal control over financial reporting and compliance.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 27, 2021

**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY COUNTY OFFICE MANAGEMENT)

This section of Alpine County Office of Education's annual financial report presents our discussion and analysis of the County Office's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the County Office's financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 14 and 15, provide information about the activities of the County Office as a whole and present a longer-term view of the County Office's finances. The fund financial statements for governmental activities, presented on pages 16 through 19, provide information about how County Office services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the County Office's operations in more detail than the government-wide statements by providing information about the County Office's most significant funds. The remaining statements provide financial information about activities for which the County Office acts solely as a trustee or agent for the benefit of those outside the County Office.

FINANCIAL HIGHLIGHTS

- Fiscal year 2019-20 is the sixth year the County Office was required to record a liability in the financial statements to reflect the County Office's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.
- The County Office's financial status declined during the course of the year, as total net position decreased 14.9%.
- On the Statement of Activities, total current year expenses exceeded total current year revenues by \$232,757.
- Net capital assets decreased \$29,050 due to the current year recognition of depreciation expense.
- Total long-term liabilities decreased \$20,994 due primarily to the final payment made on the note payable.
- The County Office's annual average daily attendance (ADA) increased 13 ADA in fiscal year 2019-20.
- The County Office maintains sufficient reserves for a County Office its size. It meets the state required minimum reserve for economic uncertainty of \$69,000. During fiscal year 2019-20, total County School Service Fund expenditures and other financing uses totaled \$1,205,736. At June 30, 2020, the County Office had available reserves of \$899,848 in the County School Service Fund, which represents a reserve of 74.6%.

**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY COUNTY OFFICE MANAGEMENT)

THE FINANCIAL REPORT

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and management's discussion and analysis. The three sections together provide a comprehensive overview of the County Office. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the County Office's overall financial position.
- Individual parts of the County Office, which are reported as fund financial statements comprise the remaining statements.
 - ❖ Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
 - ❖ Financial relationships, for which the County Office acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the County Office's budget for the year is included.

Reporting the County Office as a Whole

The County Office as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the County Office's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The County Office's financial health (net position) can be measured by the difference between the County Office's assets and liabilities.

- Increases or decreases in the net position of the County Office over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities need to be considered in assessing the overall health of the County Office.

**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY COUNTY OFFICE MANAGEMENT)

THE FINANCIAL REPORT (CONCLUDED)

Reporting the County Office as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities all amounts presented represent governmental activities, since the County Office does not provide any services that should be categorized as business-type activities.

The basic services provided by the County Office, such as regular education and administration are included here, and are primarily financed by state formula aid. Non-basic services are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

Reporting the County Office's Most Significant Funds

The County Office's fund-based financial statements provide detailed information about the County Office's most significant funds. Some funds are required to be established by State law and bond covenants. However, the County Office establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds:

The major governmental funds of the Alpine County Office of Education are the County School Service Fund, Forest Reserve Fund, and Child Development Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the County Office's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the County Office's programs.

Fiduciary Funds:

The County Office is the trustee, or fiduciary, for its Scholarship Fund. All of the County Office's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the County Office's other financial statements because the County Office cannot use these assets to finance their operations.

The County Office is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

FINANCIAL ANALYSIS OF THE COUNTY OFFICE AS A WHOLE

The County Office's net position decreased from \$1,563,629 at June 30, 2019, down to \$1,330,872 at June 30, 2020, a decrease of 14.9%.

<u>Comparative Statement of Net Position</u>		
	Governmental Activities	
	2019	2020
<u>Assets</u>		
Deposits and Investments	\$ 1,611,946	\$ 1,652,086
Receivables	37,132	16,894
Prepaid Expenses	410	9,845
Capital Assets, net	982,613	953,563
Total Assets	2,632,101	2,632,388
<u>Deferred Outflows of Resources</u>		
Pension Deferrals	513,450	389,556
<u>Liabilities</u>		
Current	414,905	498,096
Long-term	997,175	1,006,200
Total Liabilities	1,412,080	1,504,296
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	169,842	186,776
<u>Net Position</u>		
Net Investment in Capital Assets	960,701	953,563
Restricted	112,650	108,348
Unrestricted	490,278	268,961
Total Net Position	\$ 1,563,629	\$ 1,330,872
<i>Table includes financial data of the combined governmental funds</i>		

**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

FINANCIAL ANALYSIS OF THE COUNTY OFFICE AS A WHOLE (CONTINUED)

The County Office's total current year expenses exceeded total current year revenues by \$232,757.

<u>Comparative Statement of Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2020</u>
<u>Program Revenues</u>		
Operating Grants & Contributions	\$ 255,791	\$ 192,308
<u>General Revenues</u>		
Federal & State Aid	1,060,715	1,114,951
Interest & Investment Earnings	35,243	33,831
Miscellaneous	207,415	138,785
Total Revenues	<u>1,559,164</u>	<u>1,479,875</u>
<u>Expenses</u>		
Instruction	515,589	594,208
Instruction-Related Services	161,340	206,909
Pupil Services	220,597	254,420
General Administration	280,982	323,475
Plant Services	280,002	166,496
Community Services	30,747	40,125
Interest on Long-Term Debt	2,831	229
Other Outgo	239,668	126,770
Total Expenses	<u>1,731,756</u>	<u>1,712,632</u>
Changes in Net Position	<u>\$ (172,592)</u>	<u>\$ (232,757)</u>
<i>Table includes financial data of the combined governmental funds</i>		

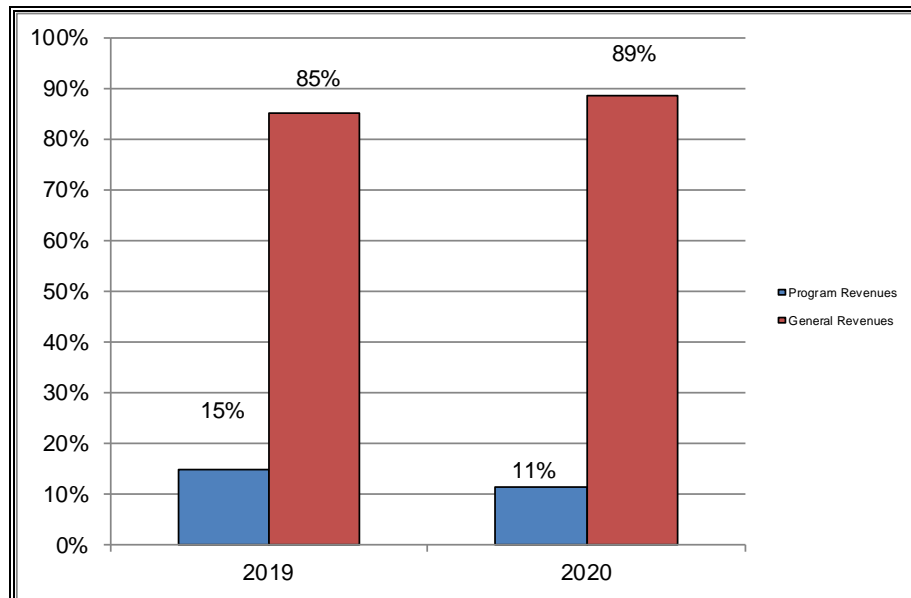
**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

FINANCIAL ANALYSIS OF THE COUNTY OFFICE AS A WHOLE (CONTINUED)

<u>Comparative Schedule of Costs of Services</u>				
	Total Cost of Services		Net Cost of Services	
	2019	2020	2019	2020
Instruction	\$ 515,589	\$ 594,208	\$ 458,400	\$ 529,185
Instruction-Related Services	161,340	206,909	91,243	129,097
Pupil Services	220,597	254,420	169,122	222,529
General Administration	280,982	323,475	236,574	315,453
Other Outgo	239,668	126,770	239,668	126,770
Other Expenses	313,580	206,850	280,958	197,290
Totals	<u>\$ 1,731,756</u>	<u>\$ 1,712,632</u>	<u>\$ 1,475,965</u>	<u>\$ 1,520,324</u>

Table includes financial data of the combined governmental funds

The table above presents the cost of major County Office activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The \$1,520,324 net cost represents the financial burden that was placed on the County Office's general revenues for providing the services listed.



For the 2019-20 fiscal year, program revenues financed 11% of the total cost of providing the services listed above, while the remaining 89% was financed by the general revenues of the County Office.

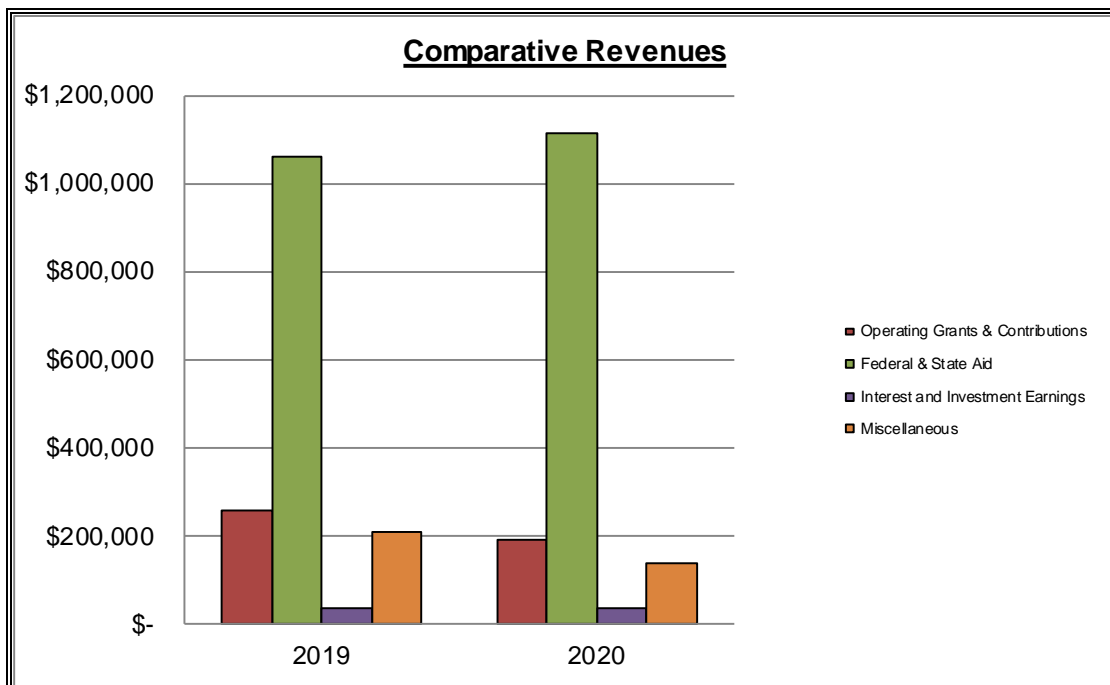
**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

FINANCIAL ANALYSIS OF THE COUNTY OFFICE AS A WHOLE (CONTINUED)

Schedule of Revenues For Governmental Functions

	<u>FYE 2019 Amount</u>	<u>Percent of Total</u>	<u>FYE 2020 Amount</u>	<u>Percent of Total</u>
<u>Program Revenues</u>				
Operating Grants & Contributions	\$ 255,791	16.41%	\$ 192,308	12.99%
<u>General Revenues</u>				
Federal & State Aid	1,060,715	68.03%	1,114,951	75.34%
Interest & Investment Earnings	35,243	2.26%	33,831	2.29%
Miscellaneous	207,415	13.30%	138,785	9.38%
Total Revenues	<u>\$ 1,559,164</u>	<u>100.00%</u>	<u>\$ 1,479,875</u>	<u>100.00%</u>

Table includes financial data of the combined governmental funds



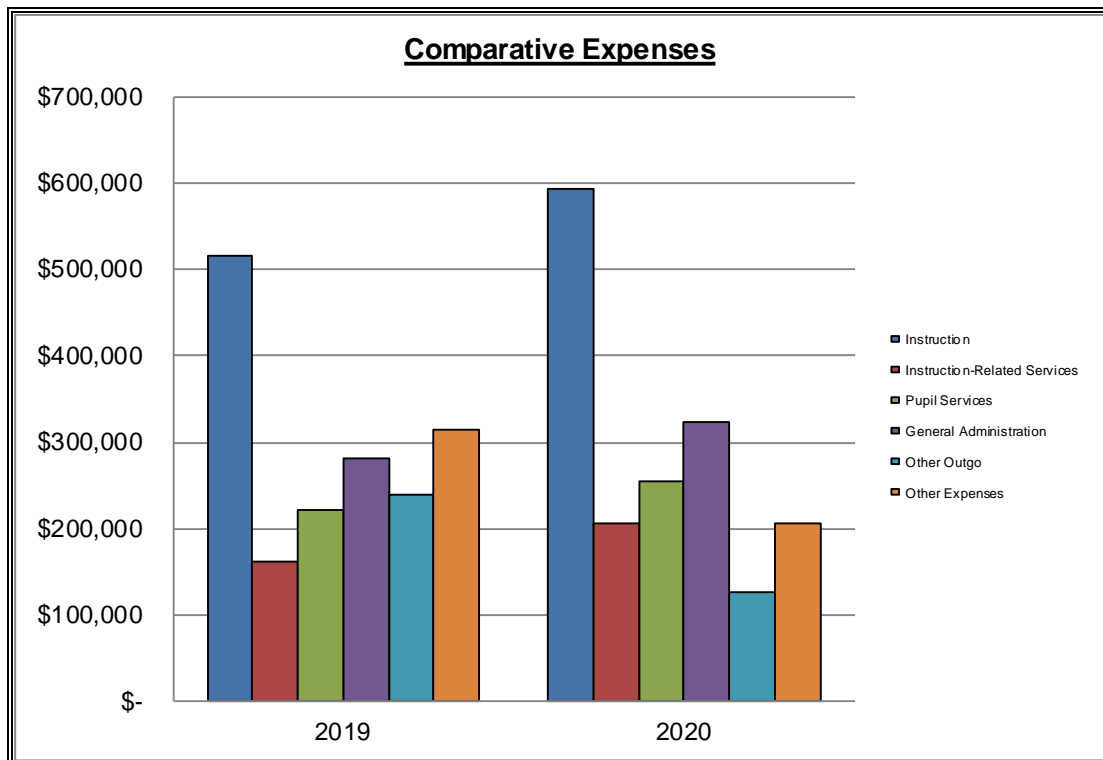
**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

FINANCIAL ANALYSIS OF THE COUNTY OFFICE AS A WHOLE (CONTINUED)

Schedule of Expenses For Governmental Functions

	<u>FYE 2019 Amount</u>	<u>Percent of Total</u>	<u>FYE 2020 Amount</u>	<u>Percent of Total</u>
<u>Expenses</u>				
Instruction	\$ 515,589	29.77%	\$ 594,208	34.70%
Instruction-Related Services	161,340	9.32%	206,909	12.08%
Pupil Services	220,597	12.74%	254,420	14.86%
General Administration	280,982	16.23%	323,475	18.89%
Other Outgo	239,668	13.84%	126,770	7.40%
Other Expenses	313,580	18.11%	206,850	12.08%
Total Expenses	\$ 1,731,756	100.00%	\$ 1,712,632	100.00%

Table includes financial data of the combined governmental funds



**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(PREPARED BY COUNTY OFFICE MANAGEMENT)**

FINANCIAL ANALYSIS OF THE COUNTY OFFICE AS A WHOLE (CONCLUDED)

<u>Comparative Schedule of Capital Assets</u>		
	Governmental Activities	
	2019	2020
Land	\$ 170,000	\$ 170,000
Sites and Improvements	46,601	46,601
Buildings and Improvements	1,079,601	1,079,601
Furniture and Equipment	492,728	492,728
Subtotals	1,788,930	1,788,930
Less: Accumulated Depreciation	(806,317)	(835,367)
Capital Assets, net	<u>\$ 982,613</u>	<u>\$ 953,563</u>

Net capital assets decreased \$29,050 due to the current year recognition of depreciation expense.

<u>Comparative Schedule of Long-Term Liabilities</u>		
	Governmental Activities	
	2019	2020
Compensated Absences	\$ 35,151	\$ 27,044
Note Payable	21,912	0
Net Pension Liabilities	997,175	1,006,200
Totals	<u>\$ 1,054,238</u>	<u>\$ 1,033,244</u>

Total long-term liabilities decreased \$20,994 due primarily to the final payment made on the note payable.

FINANCIAL ANALYSIS OF COUNTY OFFICE'S FUNDS

The fund balance of the County School Service Fund decreased \$86,670, the fund balance of the Forest Reserve Fund increased \$5,682, and the fund balance of the Child Development Fund decreased \$2,885.

**ALPINE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

(PREPARED BY COUNTY OFFICE MANAGEMENT)

COUNTY SCHOOL SERVICE FUND BUDGETARY HIGHLIGHTS

The County Office's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the County Office revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the County Office revises its budget at First and Second Interim.

ECONOMIC FACTORS BEARING ON THE COUNTY OFFICE'S FUTURE

The County Office will continue to be impacted by the on-going health concerns associated with Covid-19. Since the virus is still very contagious, the County Office has already modified most of its operational procedures as most aspects of its operations were directly affected by Covid-19. However, due to the unknown nature of the virus and the everchanging guidance provided by the California Department of Education, further procedural modifications will likely be necessary. In addition, State and Local economies have also been severely impacted by Covid-19, which may adversely affect future school funding and student enrollment.

As a result, county office budgets should continue to be managed with a great degree of conservatism over the next few years. The County Office has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

CONTACTING THE COUNTY OFFICE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the County Office's finances and to show the County Office's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the Alpine County Office of Education, 43 Hawkside Drive, Markleeville, CA 96120.

ALPINE COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
<u>Assets</u>	
Deposits and Investments (Note 2)	\$ 1,652,086
Receivables (Note 3)	16,894
Prepaid Expenses (Note 1H)	9,845
Capital Assets, Not Depreciated (Note 5)	170,000
Capital Assets, Net of Accumulated Depreciation	783,563
Total Assets	<u>2,632,388</u>
<u>Deferred Outflows of Resources</u>	
Pension Deferrals (Note 6)	<u>389,556</u>
<u>Liabilities</u>	
Accounts Payable and Other Current Liabilities	420,033
Unearned Revenue (Note 1H)	51,019
Long-Term Liabilities:	
<i>Portion Due or Payable Within One Year:</i>	
Compensated Absences (Note 1H)	27,044
<i>Portion Due or Payable After One Year:</i>	
Net Pension Liabilities (Note 6)	1,006,200
Total Liabilities	<u>1,504,296</u>
<u>Deferred Inflows of Resources</u>	
Pension Deferrals (Note 6)	<u>186,776</u>
<u>Net Position</u>	
Net Investment in Capital Assets	953,563
Restricted:	
For Educational Programs	98,503
For Other Purposes	9,845
Unrestricted	268,961
Total Net Position	<u><u>\$ 1,330,872</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ALPINE COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
			Operating Grants and Contributions	Capital Grants and Contributions	
Functions	Expenses	Charges for Services			Governmental Activities
<u>Governmental Activities</u>					
Instruction	\$ 594,208		\$ 65,023		\$ (529,185)
Instruction-Related Services:					
School Site Administration	206,909		77,812		(129,097)
Pupil Services:					
Home-to-School Transportation	215,968				(215,968)
Other Pupil Services	38,452		31,891		(6,561)
General Administration:					
Data Processing Services	46,308				(46,308)
Other General Administration	277,167		8,022		(269,145)
Plant Services	166,496		9,560		(156,936)
Community Services	40,125				(40,125)
Interest on Long-Term Debt	229				(229)
Other Outgo	126,770				(126,770)
Total Governmental Activities	<u>\$ 1,712,632</u>	<u>\$ 0</u>	<u>\$ 192,308</u>	<u>\$ 0</u>	<u>(1,520,324)</u>
<u>General Revenues</u>					
Federal and State Aid - Unrestricted					1,114,951
Interest and Investment Earnings					33,831
Miscellaneous					138,785
Total General Revenues					<u>1,287,567</u>
Change in Net Position					(232,757)
Net Position - July 1, 2019					<u>1,563,629</u>
Net Position - June 30, 2020					\$ 1,330,872

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY OFFICE OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	County School Service	Forest Reserve	Child Development	Total Governmental Funds
<u>Assets</u>				
Deposits and Investments (Note 2)	\$ 1,462,662	\$ 154,823	\$ 34,601	\$ 1,652,086
Receivables (Note 3)	9,294		7,600	16,894
Due from Other Funds (Note 4)	4,405			4,405
Prepaid Expenditures (Note 1H)	9,845			9,845
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 1,486,206</u></u>	<u><u>\$ 154,823</u></u>	<u><u>\$ 42,201</u></u>	<u><u>\$ 1,683,230</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts Payable	\$ 413,483		\$ 6,550	\$ 420,033
Due to Other Funds (Note 4)			4,405	4,405
Unearned Revenue (Note 1H)	25,694		25,325	51,019
	<u> </u>		<u> </u>	<u> </u>
Total Liabilities	<u>439,177</u>		<u>36,280</u>	<u>475,457</u>
Fund Balances: (Note 8)				
Nonspendable	9,845			9,845
Restricted	94,927		3,576	98,503
Assigned	42,409	\$ 154,823	2,345	199,577
Unassigned	899,848			899,848
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,047,029</u>	<u>154,823</u>	<u>5,921</u>	<u>1,207,773</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,486,206</u></u>	<u><u>\$ 154,823</u></u>	<u><u>\$ 42,201</u></u>	<u><u>\$ 1,683,230</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

**ALPINE COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances - Governmental Funds **\$ 1,207,773**

Amounts reported for governmental activities in the statement of net position are different from amounts reported in governmental funds due to the following:

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

Capital Assets	\$ 1,788,930	
Accumulated Depreciation	<u>(835,367)</u>	
Net		953,563

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. The net of deferred outflows and inflows was: 202,780

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities reported at the end of the period are:

Compensated Absences	27,044	
Net Pension Liabilities	<u>1,006,200</u>	
Total		<u>(1,033,244)</u>

Total Net Position - Governmental Activities **\$ 1,330,872**

**ALPINE COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	County School Service	Forest Reserve	Child Development	Total Governmental Funds
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 932,727			\$ 932,727
Federal Revenue	27,698	\$ 151,460	\$ 56,314	235,472
State Revenue	60,543		70,496	131,039
Local Revenue	75,727	3,363	101,547	180,637
Total Revenues	1,096,695	154,823	228,357	1,479,875
<u>Expenditures</u>				
Current:				
Instruction	332,192		225,531	557,723
School Site Administration	1,376		156,643	158,019
Home-To-School Transportation	186,793			186,793
Other Pupil Services	31,891			31,891
Data Processing Services	45,438			45,438
Other General Administration	240,850			240,850
Plant Services	134,117		25,905	160,022
Community Services	34,101			34,101
Other Outgo		126,770		126,770
Debt Service:				
Principal Retirement	21,912			21,912
Interest and Issuance Costs	229			229
Total Expenditures	1,028,899	126,770	408,079	1,563,748
Excess of Revenues Over (Under) Expenditures	67,796	28,053	(179,722)	(83,873)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	22,371		176,837	199,208
Operating Transfers Out	(176,837)	(22,371)		(199,208)
Total Other Financing Sources (Uses)	(154,466)	(22,371)	176,837	0
Net Change in Fund Balances	(86,670)	5,682	(2,885)	(83,873)
Fund Balances - July 1, 2019	1,133,699	149,141	8,806	1,291,646
Fund Balances - June 30, 2020	\$ 1,047,029	\$ 154,823	\$ 5,921	\$ 1,207,773

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Governmental Funds	\$	(83,873)
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds due to the following:

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

Capital Outlays	\$	0	
Depreciation Expense		(29,050)	
Net		(29,050)	(29,050)

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

8,107

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

(149,853)

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

21,912

Change in Net Position of Governmental Activities	\$	(232,757)
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ALPINE COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Private-Purpose Trust	Total Fiduciary Funds
	Scholarship Fund	
<u>Assets</u>		
Deposits and Investments (Note 2)	\$ 213	\$ 213
<u>Net Position</u>		
Restricted	\$ 213	\$ 213

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY OFFICE OF EDUCATION
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Private-Purpose Trust
	Scholarship Fund
<u>Additions</u>	
Interest	\$ 4
<u>Deductions</u>	
Scholarships Awarded	6,561
Change in Net Position	(6,557)
<u>Net Position</u>	
Net Position - July 1, 2019	6,770
Net Position - June 30, 2020	\$ 213

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Alpine County Office of Education (the "County Office") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Education elected by registered voters of the County, which comprises an area in Alpine County. The County Office was established in 1939 and serves students in kindergarten through grade twelve.

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

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County Office consists of all funds, departments, boards, and agencies that are not legally separate from the County Office. For Alpine County Office of Education, this includes general operations, preschool program, and student related activities of the County Office.

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

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the County Office. The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Government-wide Financial Statements (Concluded):

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the County Office's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The County Office does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County Office, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County Office.

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 governmental fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Fiduciary funds are reported using the economic resources measurement focus.

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - Exchange and Non-exchange Transactions (Concluded):

For the County Office, “available” means collectible within the current period or within 45, 60, 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California County Offices and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined available as collectible within one year.

Non-exchange transactions, in which the County Office receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the County Office’s policy to use restricted resources first, then unrestricted resources as they are needed.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The County Office maintains the following governmental fund types:

County School Service Fund - The county school service fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

The County Office's accounts are organized into major and fiduciary funds as follows:

Major Governmental Funds:

The *County School Service Fund* is the primary operating fund of the County Office. It is used to account for all financial resources except those required to be accounted for in other funds.

The *Forest Reserve Fund* is used to account for forest reserve funds received from the federal government. Revenues received by Alpine County are split 50/50 between the county roads department and county schools. Up to 15% of the amount received by the county schools can be utilized in the County School Service Fund.

The *Child Development Fund* is used to account for revenues received and expenditures made to operate the child development program.

Fiduciary Funds:

Expendable Trust Funds are used to account for assets held by the County Office as trustee. The County Office maintains one expendable trust fund, the Scholarship Fund, to accumulate resources to provide higher learning scholarships to students.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the County Office's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The County Office's Governing Board satisfied these requirements.

These budgets are revised by the County Office's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the County School Service Fund, Forest Reserve Fund and Child Development Fund as required supplementary information on pages 49 through 51.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The County Office employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Encumbrances

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

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1. Deposits and Investments

The County Office is authorized to maintain cash in banks and revolving funds that are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). 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 is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the County are either secured by the FDIC or are collateralized.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

1. Deposits and Investments (Concluded)

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 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

2. Prepaid Expenses / Expenditures

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year ended, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which goods or services are consumed.

Reported prepaid expenses/expenditures are equally offset by a reserve, which indicates that these amounts are not available for appropriation.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Sites and Improvements	20
Buildings and Improvements	10-50
Furniture and Equipment	5-20

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the County Office will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the County Office will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements.

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

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS), and additions to/deductions from the CalSTRS' and CalPERS' 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. Investments are reported at fair value.

8. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as long-term liabilities in the Statement of Net Position. In fund financial statements, the face amount of the obligation is reported as other financing sources in the year the debt is issued.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (Concluded)

9. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County Office is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The allowable classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (inventories, prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the county office's highest level of decision making authority (Governing Board). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the county office's highest level of decision making authority or a body or official that has been given the authority to assign funds. In accordance with board policy, the Business Manager has been given this authority.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. In accordance with board policy, the County Office intends to maintain a reserve for economic uncertainties of at least 25% of the County School Service Fund's annual total outgo. In the event that the fund balance drops below 25%, it shall be recovered at a rate of no less than 1% each year.

The County Office considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the County Office considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

10. Local Control Funding Formula (LCFF)/Property Tax

As part of the 2013-14 State Budget Act, the formula for determining the level of funding changed from the "revenue limit" formula to the "Local Control Funding Formula" (LCFF). The LCFF funding is based on a two-part formula that takes into account the oversight responsibilities and instructional activities of the County Office. Funding for county offices under the LCFF is generally provided by a mix of State aid and local property taxes. However, since there is no tax base, no local taxes have been allocated to the County Office.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
County Pool Investments	<u>\$ 1,652,086</u>	<u>\$ 213</u>

County Pool Investments

County pool investments consist of County Office cash held by the Alpine County Treasury that is invested in the county investment pool. The fair value of the County Office's investment in the pool is reported in the financial statements at amounts that are based upon the County Office's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorization

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 Notes	5 years	30%	None
Mutual Funds/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

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County Office manages its exposure to interest rate risk by investing in the Alpine County Investment Pool.

Weighted Average Maturity

The County Office monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the County Office's portfolio is presented in the following schedule:

Governmental Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Years to Maturity</u>
County Pool Investments	\$ 1,652,086	\$ 1,705,162	1.83

Fiduciary Activities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Weighted Average Years to Maturity</u>
County Pool Investments	\$ 213	\$ 220	1.83

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. Investments in the County Treasury are not required to be rated.

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 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).

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits (Concluded)

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Fair Value Measurements

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

Level 1 - 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 - 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 specific term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - 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 reasonable 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 Alpine 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.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONCLUDED)

Fair Value Measurements (Concluded)

The County Office's fair value measurements are as follows at June 30, 2020:

Governmental Activities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ 1,705,162</u>	<u>\$ 1,705,162</u>

Fiduciary Activities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
County Pool Investments	<u>\$ 220</u>	<u>\$ 220</u>

All assets have been valued using a market approach, with quoted market prices

NOTE 3 - RECEIVABLES

Accounts receivables at June 30, 2020 consist of the following:

	<u>County School Service Fund</u>	<u>Child Development Fund</u>	<u>Totals</u>
Federal Government	\$ 2,794		\$ 2,794
Local Governments		\$ 6,967	6,967
Miscellaneous	6,500	633	7,133
Totals	<u>\$ 9,294</u>	<u>\$ 7,600</u>	<u>\$ 16,894</u>

NOTE 4 - INTERFUND ACTIVITIES

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for fiscal year 2019-20 were as follows:

The Child Development Fund has a due to balance of \$4,405 to the County School Service Fund for reimbursement of payment made to the California Department of Education from the County School Service Fund in error, for the return of funds received for the Transitional Kindergarten stipend.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - INTERFUND ACTIVITIES (CONCLUDED)

Interfund Transfers (Concluded)

County School Service Fund transfer to the Child Development Fund for required match and to supplement the program	\$ 176,837
Forest Reserve Fund transfer to the County School Service Fund for County Office portion of forest reserve receipts	<u>22,371</u>
Total	<u><u>\$ 199,208</u></u>

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, is shown below:

	Balances July 1, 2019	Additions	Deletions	Balances June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 170,000			\$ 170,000
Total Capital Assets Not Being Depreciated	<u>170,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>170,000</u>
Capital Assets Being Depreciated:				
Sites and Improvements	46,601			46,601
Buildings and Improvements	1,079,601			1,079,601
Furniture and Equipment	<u>492,728</u>			<u>492,728</u>
Total Capital Assets Being Depreciated	<u>1,618,930</u>	<u>0</u>	<u>0</u>	<u>1,618,930</u>
Less Accumulated Depreciation:				
Sites and Improvements	36,009	2,330		38,339
Buildings and Improvements	320,503	22,894		343,397
Furniture and Equipment	<u>449,805</u>	<u>3,826</u>		<u>453,631</u>
Total Accumulated Depreciation	<u>806,317</u>	<u>29,050</u>	<u>0</u>	<u>835,367</u>
Total Capital Assets Being Depreciated, Net	<u>812,613</u>	<u>(29,050)</u>	<u>0</u>	<u>783,563</u>
Capital Assets, Net	<u><u>\$ 982,613</u></u>	<u><u>\$ (29,050)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 953,563</u></u>

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,169
Instruction-Related Services	3,889
Pupil Services	4,782
General Administration	6,080
Plant Services	3,130
	<hr/>
Total	<u><u>\$ 29,050</u></u>

NOTE 6 - RETIREMENT PLANS

Qualified employees are covered under retirement plans maintained by agencies of the State of California. Certificated employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are eligible to participate under the multiple-employer, cost-sharing defined benefit plan administered by the California Public Employees' Retirement System (CalPERS).

The County Office reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense in the accompanying government-wide financial statements as follows:

<u>Pension Plan</u>	<u>Net Pension Liabilities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 258	\$ 71,030	\$ 123,095	\$ 8,867
CalPERS	1,005,942	318,526	63,681	245,363
Totals	<u><u>\$ 1,006,200</u></u>	<u><u>\$ 389,556</u></u>	<u><u>\$ 186,776</u></u>	<u><u>\$ 254,230</u></u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The California State Teachers Retirement System (CalSTRS) provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature and Governor, established the plan and CalSTRS as the administrator. The terms of the plan may be amended through legislation. CalSTRS issues publicly available reports that include a full description of the pension plan that can be found on the CalSTRS website.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan. 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 for administering the STRP. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The STRP Defined Benefit Program has two benefit formulas:

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

Membership is mandatory for all employees meeting certain statutory requirements and optional for all other employees performing creditable service activities. The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas and some of the differences are noted below.

CalSTRS 2% at 60

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

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Benefits Provided (Concluded)

CalSTRS 2% at 60 (Concluded)

CalSTRS calculates retirement benefits based on one-year final compensation for members with 25 or more years of credited service, or for classroom teachers with fewer than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For most members with fewer than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

CalSTRS 2% at 62

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

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis.

Contributions

Required member, employer and state contribution rates are set by the California Legislature and Governor and are detailed in the Teachers' Retirement Law. Current contribution rates were established with the enactment of AB 1469 in 2014 (the CalSTRS Fund Plan). A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members: The CalSTRS member contribution rates were as follows: Under CalSTRS 2% at 60, the member contribution rate was 10.25% of applicable member earnings for fiscal year 2019-20. Under CalSTRS 2% at 62, the member contribution rate was 10.205% of applicable member earnings for fiscal year 2019-20.

Employers: The employer contribution rate was 17.10% of applicable member earnings for fiscal year 2019-20. This rate reflects the 1.03% reduction of the employer contribution rate for the fiscal year 2019-20 pursuant to SB 90. The County Office contributed \$528 to the plan for the fiscal year ended June 30, 2020.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Contributions (Concluded)

State: The base contribution of 2.017% is calculated based on creditable compensation from two fiscal years prior. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code Section 22955.1. The additional state contribution for the fiscal year ended June 30, 2020 was 5.811% Including a 2.50% contribution for SBMA funding, the total state contribution to the defined benefit program was 10.328% for the fiscal year ended June 30, 2020. This rate does not include the \$2.2 billion supplement state contribution on behalf of employers pursuant to SB 90.

County Office's Proportionate Share of the Net Pension Liability, Pension Expense, 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 associated with the County Office was as follows:

County Office's proportionate share of the net pension liability	\$ 258
State's proportionate share of the net pension liability associated with the County Office	<u>141</u>
Total net pension liability attributed to County Office	<u><u>\$ 399</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The County Office's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers and the State. The County Office's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0000%
Proportion - June 30, 2018	<u>0.0000%</u>
Change - Increase (Decrease)	<u><u>0.0000%</u></u>

For the fiscal year ended June 30, 2020, the County Office recognized pension expense of \$8,867. At June 30, 2020, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

County Office's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

	Deferred Outflows of Resources	Deferred Inflows of Resources
County Office contributions subsequent to the measurement date	\$ 528	
Differences between expected and actual experience		\$ 2,415
Changes of assumptions	88	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	63,729	120,680
Net differences between projected and actual earnings on plan investments	6,685	
Totals	<u>\$ 71,030</u>	<u>\$ 123,095</u>

The deferred outflows of resources related to County Office contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2021	\$ 5,408
2022	(1,307)
2023	(27,588)
2024	(29,773)
2025	374
2026	293

Differences between expected and actual experience, changes of assumptions, and changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions are amortized over a closed period equal to the average of the expected remaining service lives of all active and inactive plan members. The average expected remaining service life for STRP members based on the financial reporting actuarial valuation as of June 30, 2018, is 7 years. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (Annually) Maintain 85% purchasing power level for DB

¹ Net of investment expenses, but gross of administrative expenses.

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 of life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term investment 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) 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' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of expected 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Actuarial Methods and Assumptions (Concluded)

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash / Liquidity	2%	-0.40%
Total	<u>100%</u>	

* 20-year average

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates as previously described. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County Office's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the County Office's proportionate share of the net pension liability as of the measurement date, calculated using the current discount rate of 7.10%, as well as what the County Office's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	<u>Discount Rate 1% Decrease 6.10%</u>	<u>Discount Rate Current Rate 7.10%</u>	<u>Discount Rate 1% Increase 8.10%</u>
County Office's proportionate share of the net pension liability	\$ 384	\$ 258	\$ 153

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Pension Plan's Fiduciary Net Position

Detail information about the pension plan's fiduciary net position is available in the separately issued CalSTRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided, and Employees Covered

The County Office contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by the CalPERS. All employees who work at least half time or are appointed to a job that will last at least six months and one day are eligible for CalPERS. Benefits vest after five years. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to an annual retirement benefit, payable monthly for life. Employees hired after January 1, 2013 with five years of credit service must be at least age 52 to retire.

The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through 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. Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary, and new members entering into the plan on or after January 1, 2013 are required to contribute the higher of 50% of the total normal cost rate for their defined benefit plan or 7.0% of their salary. The County Office's contractually required contribution rate for the fiscal year ended June 30, 2020 was 19.721% of annual payroll. The County Office's contribution to CalPERS for the fiscal year ended June 30, 2020 was \$103,849.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

County Office's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the County Office reported a liability of \$1,005,942 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. 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 employers, actuarially determined. The County Office's proportionate share of the net pension liability as of June 30, 2019 and June 30, 2018 was as follows:

Proportion - June 30, 2019	0.0035%
Proportion - June 30, 2018	<u>0.0037%</u>
Change - Increase (Decrease)	<u><u>-0.0002%</u></u>

For the fiscal year ended June 30, 2020, the County Office recognized pension expense of \$245,363. 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>
County Office contributions subsequent to the measurement date	\$ 103,849	
Differences between expected and actual experience	74,901	
Changes of assumptions	43,760	
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	96,016	\$ 47,643
Net differences between projected and actual earnings on plan investments		<u>16,038</u>
Totals	<u><u>\$ 318,526</u></u>	<u><u>\$ 63,681</u></u>

The deferred outflows of resources related to County Office contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

County Office's Proportionate Share of the Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Concluded)

Year Ended June 30	
2021	\$ 121,497
2022	33,908
2023	(7,053)
2024	2,644

Differences between expected and actual experience, changes in assumptions, and changes in employer's proportion and differences in employer's contributions and employer's proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4.1 years as of June 30, 2019. The net difference between projected and actual earnings on pension plan investments is amortized over a 5-year period on a straight-line basis.

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Wage Growth	Varies
Investment Rate of Return	7.15%
Post Retirement Benefit Increase (1)	

(1) 2.00% until Purchasing Power Protection Allowance Floor
on Purchasing Power applies, 2.50% thereafter

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

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONTINUED)

B. California Public Employees' Retirement System (CalPERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11 + years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The table below reflects expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

<u>Asset Class ¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 ²</u>	<u>Real Return Years 11+ ³</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(1) In the CalPERS CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 6 - RETIREMENT PLANS (CONCLUDED)

B. California Public Employees' Retirement System (CalPERS) (Concluded)

Sensitivity of the County Office's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County Office's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the County Office's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate 1% Decrease 6.15%	Discount Rate Current Rate 7.15%	Discount Rate 1% Increase 8.15%
County Office's proportionate Share of the net pension liability	\$ 1,449,999	\$ 1,005,942	\$ 637,566

Pension Plan Fiduciary Net Position

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

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The County Office has elected to use Social Security as its alternative plan. Contributions made by the County Office and participating employees vest immediately. Both the County Office and participating employees were required to contribute 6.2% of an employee's gross earnings, up to the annual limit.

NOTE 7 - LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities is shown below:

	Balances July 1, 2019	Additions	Deductions	Balances June 30, 2020	Due within One Year
Long-Term Debt:					
Note Payable	\$ 21,912		\$ 21,912	\$ 0	
Other Long-Term Liabilities:					
Compensated Absences	35,151	\$ 27,044	35,151	27,044	\$ 27,044
Net Pension Liabilities	997,175	9,025		1,006,200	
Totals	<u>\$ 1,054,238</u>	<u>\$ 36,069</u>	<u>\$ 57,063</u>	<u>\$ 1,033,244</u>	<u>\$ 27,044</u>

Long-term liabilities are primarily obligations of the County School Service Fund.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - FUND BALANCES

The County Office's fund balances at June 30, 2020 consisted of the following:

	County School Service Fund	Forest Reserve Fund	Child Development Fund	Totals
Nonspendable:				
Prepaid Expenditures	\$ 9,845			\$ 9,845
Restricted:				
Categorical Programs	94,927		\$ 3,576	98,503
Assigned:				
Child Development Programs			2,345	2,345
Instructional Materials	42,409			42,409
Transfers next fiscal year		\$ 154,823		154,823
Total Unassigned	42,409	154,823	2,345	199,577
Unassigned:				
Reserve for Economic Uncertainties	899,848			899,848
Totals	\$ 1,047,029	\$ 154,823	\$ 5,921	\$ 1,207,773

NOTE 9 - RISK MANAGEMENT

The County Office is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019-20, the County Office participated in one joint powers authority (JPA) for purposes of pooling for risk. There were no significant reductions in coverage during the year. Settlements have not exceeded coverage for each of the past three years.

NOTE 10 - JOINT VENTURE

The County Office participates in one joint venture under a joint powers agreement (JPA) with the Tuolumne Joint Powers Authority (TJPA) for property & liability and workers' compensation. The relationship between the County Office and the JPA is such that the JPA is not a component unit of the County Office for financial reporting.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the members beyond their representation on the board.

Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA. The JPA is audited on an annual basis. Financial information can be obtained by contacting the JPA's management.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Litigation

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

NOTE 12 - RELATED PARTY TRANSACTIONS

The Alpine County Office of Education serves only the Alpine County Unified School District. As a result, the two entities are in the same location and share a common administration, including board members and shared allocations of office space and personnel. The cost relating to common administration including administrative space and personnel were reported in the District's financial statements and not transferred to the County Office.

NOTE 13 - GLOBAL PANDEMIC

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus includes restriction on travel, quarantine in certain areas, and forced closure for certain type of public spaces and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on local education agencies throughout the United States, especially those located in California. While it is unknown how long these conditions will last and what the complete financial effect will be on local education agencies, to date, the County Office has not experienced any significant negative financial impact. However, due to the existence of significant economic impacts at the Federal, State, and Local government levels, it is reasonably possible that the County Office will be vulnerable to the risk of a near-term severe impact from the coronavirus.

NOTE 14 - SUBSEQUENT EVENTS

The County Office's management has evaluated events or transactions that occurred for possible recognition or disclosure in the financial statements from the balance sheet date through January 27, 2021, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require disclosure in or adjustment to the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - COUNTY SCHOOL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
LCFF Sources:				
State Apportionment / Transfers	\$ 913,050	\$ 930,634	\$ 932,727	\$ 2,093
Federal Revenue	10,200	39,104	27,698	(11,406)
Other State Revenue	52,300	52,300	60,543	8,243
Other Local Revenue	72,500	79,500	75,727	(3,773)
Total Revenues	1,048,050	1,101,538	1,096,695	(4,843)
<u>Expenditures</u>				
Current:				
Certificated Salaries		3,100	3,100	
Classified Salaries	262,440	274,760	341,096	(66,336)
Employee Benefits	162,036	119,033	139,525	(20,492)
Books and Supplies	60,251	64,351	74,746	(10,395)
Services and Other				
Operating Expenditures	416,720	430,536	448,291	(17,755)
Debt Service:				
Principal Retirement	21,912	21,912	21,912	
Interest and Fiscal Charges	229	229	229	
Total Expenditures	923,588	913,921	1,028,899	(114,978)
Excess of Revenues Over Expenditures	124,462	187,617	67,796	(119,821)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In			22,371	22,371
Operating Transfers Out	(186,992)	(160,291)	(176,837)	(16,546)
Total Other Financing Sources (Uses)	(186,992)	(160,291)	(154,466)	5,825
Net Change in Fund Balances	(62,530)	27,326	(86,670)	\$ (113,996)
Fund Balances - July 1, 2019	1,133,699	1,133,699	1,133,699	
Fund Balances - June 30, 2020	\$ 1,071,169	\$ 1,161,025	\$ 1,047,029	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FOREST RESERVE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Federal Revenue	\$ 135,000	\$ 135,000	\$ 151,460	\$ 16,460
Other Local Revenue	2,500	2,500	3,363	863
Total Revenues	137,500	137,500	154,823	17,323
<u>Expenditures</u>				
Other Expenditures	104,750	104,750	126,770	(22,020)
Excess of Revenues Over Expenditures	32,750	32,750	28,053	(4,697)
<u>Other Financing (Uses)</u>				
Operating Transfers Out			(22,371)	(22,371)
Net Change in Fund Balances	32,750	32,750	5,682	\$ (27,068)
Fund Balances - July 1, 2019	149,141	149,141	149,141	
Fund Balances - June 30, 2020	\$ 181,891	\$ 181,891	\$ 154,823	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CHILD DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Federal Revenue	\$ 53,700	\$ 53,700	\$ 56,314	\$ 2,614
Other State Revenue	60,007	87,037	70,496	(16,541)
Other Local Revenue	129,388	106,469	101,547	(4,922)
Total Revenues	243,095	247,206	228,357	(18,849)
<u>Expenditures</u>				
Current:				
Classified Salaries	284,295	235,864	244,119	(8,255)
Employee Benefits	52,047	96,277	99,039	(2,762)
Books and Supplies	70,987	36,893	32,748	4,145
Services and Other				
Operating Expenditures	33,258	38,463	32,173	6,290
Total Expenditures	440,587	407,497	408,079	(582)
Excess of Revenues (Under) Expenditures	(197,492)	(160,291)	(179,722)	(19,431)
<u>Other Financing Sources</u>				
Operating Transfers In	186,992	160,291	176,837	16,546
Net Change in Fund Balances	(10,500)	0	(2,885)	\$ (2,885)
Fund Balances - July 1, 2019	8,806	8,806	8,806	
Fund Balances (Deficit) - June 30, 2020	\$ (1,694)	\$ 8,806	\$ 5,921	

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY OFFICE OF EDUCATION

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

JUNE 30, 2020

Year Ended June 30	County Office's Proportion of the NPL	County Office's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated to County Office	Total NPL Attributed to County Office	County Office's Covered Payroll	County Office's Proportionate Share of the NPL as a % of Covered Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2020	0.0000%	\$ 258	\$ 141	\$ 399	\$ 11,278	2.29%	72.56%
2019	0.0000%	0	0	0	0	0.00%	0.00%
2018	0.0000%	707	418	1,125	8,355	8.46%	69.46%
2017	0.0003%	225,180	9,049	234,229	171,761	131.10%	70.04%
2016	0.0003%	173,667	159,218	332,885	126,712	137.06%	74.02%
2015	0.0000%	810	108,053	108,863	618	131.07%	76.52%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY OFFICE OF EDUCATION

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

JUNE 30, 2020

<u>Year Ended June 30</u>	<u>County Office's Proportion of the NPL</u>	<u>County Office's Proportionate Share of the NPL</u>	<u>County Office's Covered Payroll</u>	<u>County Office's Proportionate Share of the NPL as a % of Covered Payroll</u>	<u>Plan Fiduciary Net Position As a % of Total Pension Liability</u>
2020	0.0035%	\$ 1,005,942	\$ 478,081	210.41%	70.05%
2019	0.0037%	997,175	493,291	202.15%	70.85%
2018	0.0030%	725,928	387,766	187.21%	71.87%
2017	0.0023%	457,967	278,189	164.62%	73.90%
2015	0.0049%	551,259	221,077	249.35%	83.38%

* The amounts presented for each fiscal year were determined based on a measurement date that was one year prior to the year-end date. This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY OFFICE OF EDUCATION

SCHEDULE OF CONTRIBUTIONS - CALSTRS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	County Office's Covered Payroll	Contributions As a % of Covered Payroll
2020	\$ 528	\$ 528	\$ 0	\$ 3,088	17.10%
2019	1,836	1,836	0	11,278	16.28%
2018	1,171	1,171	0	8,115	14.43%
2017	1,051	1,051	0	8,355	12.58%
2016	18,430	18,430	0	171,761	10.73%
2015	11,252	11,252	0	126,712	8.88%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY OFFICE OF EDUCATION

SCHEDULE OF CONTRIBUTIONS - CALPERS *

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation to Contractually Required Contributions	Contribution Deficiency/ (Excess)	County Office's Covered Payroll	Contributions As a % of Covered Payroll
2020	\$ 103,849	\$ 103,849	\$ 0	\$ 526,591	19.721%
2019	86,351	86,351	0	478,081	18.062%
2018	76,613	76,613	0	493,291	15.531%
2017	53,853	53,853	0	387,766	13.888%
2016	32,957	32,957	0	278,189	11.847%
2015	26,023	26,023	0	221,077	11.771%

* This is a 10-year schedule, however the information in this schedule is not required to be presented retroactively. Additional years will be added to this schedule as information becomes available until 10 years are presented.

SEE NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the County Office is required to present a Schedule of Revenues, Expenditures, and Changes in Fund Balance budgetary comparison for the General Fund and each Major Special Revenue Fund that has an adopted budget. This schedule presents the original adopted budget, final adopted budget, and the actual revenues and expenditures of each of these funds by object. The basis of budgeting is the same as Generally Accepted Accounting Principles (GAAP).

Excess of expenditures over appropriations as of June 30, 2020 were as follows:

<u>County School Service Fund</u>	<u>Excess Expenditures</u>
Classified Salaries	\$ 66,336
Employee Benefits	20,492
Books and Supplies	10,395
Services and Other Operating Expenditures	17,755
<u>Forest Reserve Fund</u>	
Other Expenditures	22,020
<u>Child Development Fund</u>	
Classified Salaries	8,255
Employee Benefits	2,762

The County Office incurred unanticipated expenditures in excess of appropriations in the above expenditure classifications for which the budgets were not revised.

B. Schedule of the Proportionate Share of the Net Pension Liability

In accordance with Governmental Accounting Standards Board Statement No. 68, the County Office is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the County Office's proportion and proportionate share of the collective net pension liability, the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability associated with the County Office, if applicable, the County Office's covered payroll, the County Office's proportionate share of the collective net pension liability as a percentage of the County Office's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

C. Schedule of Contributions

In accordance with Governmental Accounting Standards Board Statement No. 68, the County Office is required to present separately for each cost-sharing pension plan through which pensions are provided a 10-year schedule presenting certain information. The information required to be presented includes the statutorily or contracted required County Office contribution, the amount of contributions recognized by the pension plan in relation to the required County Office contribution, the difference between the required County Office contribution and the amount recognized by the pension plan, the County Office's covered payroll, and the amount of contributions recognized by the pension plan in relation of the County Office as a percentage of the County Office's covered payroll.

NOTE 2 - SUMMARY OF CHANGES FOR CALSTRS AND CALPERS

Benefit Terms

There were no changes to benefit terms since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

Changes in Assumptions

There were no changes in assumptions since the previous valuation for either the State Teachers' Retirement Plan (CalSTRS) or the Public Employer's Retirement Fund B (CalPERS).

SUPPLEMENTARY INFORMATION SECTION

**ALPINE COUNTY OFFICE OF EDUCATION
ORGANIZATION/BOARD OF EDUCATION/ADMINISTRATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

ORGANIZATION

The Alpine County Office of Education was established in 1939 and is operating instrumentally to provide the following:

- Operating the County Preschool Program.
- Interstate education through contractual arrangements with Douglas County School District (located in Nevada).
- One Opportunity School

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Amy Mecak	President	January, 2021
Nani Ellis	Clerk	January, 2023
Andria Cawelti	Member	January, 2021
John Baker	Member	January, 2023
Amber Bill	Member	January, 2023

ADMINISTRATION

Matthew Strahl
Superintendent

Klaus Leitenbauer
Business Manager

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

P-2 Report					
	TK / K - 3	4 - 6	7 - 8	9 - 12	Total
County School Tuition	0.00	0.00	0.00	40.86	40.86
Annual Report					
	TK / K - 3	4 - 6	7 - 8	9 - 12	Total
County School Tuition	0.00	0.00	0.00	40.86	40.86

SEE NOTES TO SUPPLEMENTARY INFORMATION

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The Alpine County Office of Education does not participate in the longer day incentive program.

**ALPINE COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	County School Service Fund	Child Development Fund
June 30, 2020 Annual Financial and Budget Report Fund Balance	<u>\$ 1,102,735</u>	<u>\$ 10,326</u>
Adjustments Increasing (Decreasing) Fund Balance:		
Overstatement of LCFF State Revenue	(52,892)	
Net Overstatement of Other State Revenue	<u>(2,814)</u>	<u>(4,405)</u>
Net Adjustments	<u>(55,706)</u>	<u>(4,405)</u>
June 30, 2020 Audited Financial Statements Fund Balance	<u><u>\$ 1,047,029</u></u>	<u><u>5,921</u></u>

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Annual Financial and Budget Report for the fiscal year ended June 30, 2020.

ALPINE COUNTY OFFICE OF EDUCATION

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	COUNTY SCHOOL SERVICE FUND			
	(Budget) 2020-21	2019-20	2018-19	2017-18
Revenues and Other Financial Sources	\$ 944,171	\$ 1,119,066	\$ 1,199,105	\$ 1,111,194
Expenditures	828,695	1,028,899	1,200,785	1,034,578
Other Uses and Transfers Out	178,307	176,837	90,365	177,592
Total Outgo	1,007,002	1,205,736	1,291,150	1,212,170
Change in Fund Balance	(62,831)	(86,670)	(92,045)	(100,976)
Ending Fund Balance	\$ 984,198	\$ 1,047,029	\$ 1,133,699	\$ 1,225,744
Available Reserves	\$ 826,850	\$ 899,848	\$ 972,666	\$ 1,064,405
Reserve for Economic Uncertainties *	\$ 826,850	\$ 899,848	\$ 972,666	\$ 1,064,405
Available Reserves as a Percentage of Total Outgo	82.1%	74.6%	75.3%	87.8%
Average Daily Attendance at Annual	34	41	28	27
Total Long-Term Liabilities	\$ 1,006,200	\$ 1,033,244	\$ 1,054,238	\$ 831,809

* Reported balances are a component of available reserves.

The fund balance of the County School Service Fund decreased \$198,527 (16.2%) over the past two years. The fiscal year 2020-21 budget projects a further decrease of \$62,831 (6.1%). For a county office this size, the state recommends available reserves of at least \$69,000.

The County Office incurred operating deficits in each of the past three fiscal years.

Average daily attendance (ADA) increased 14 ADA over the past two years. The County Office projects a decrease of 7 ADA during fiscal year 2020-21.

Total long-term liabilities increased \$201,435 over the past two years due primarily to the increase in the County Office's net pension liabilities.

ALPINE COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the County Office. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to county offices. This schedule provides information regarding the attendance of students in different programs.

B. Schedule of Instructional Time

The County Office has not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. As a result, there is no schedule to present information on the amount of instructional time offered by the County Office or comments regarding whether the County Office complied with the provisions of Education Code Sections 46201 through 46206.

C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Annual Financial and Budget Report to the audited financial statements.

D. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Alpine County Office of Education
Markleeville, California

Report on State Compliance

We have audited Alpine County Office of Education's compliance with the types of compliance requirements described in the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of the County Office's state programs identified on the following page for the fiscal year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County Office's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting (Audit Guide)*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the County Office's state programs occurred. An audit includes examining, on a test basis, evidence about Alpine County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Not Applicable
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Opinion on State Compliance

In our opinion, Alpine County Office of Education complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 27, 2021

STEPHEN ROATCH ACCOUNTANCY CORPORATION

Certified Public Accountants

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
Alpine County Office of Education
Markleeville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpine 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 the County Office's basic financial statements, and have issued our report thereon dated January 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the County Office'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies, as noted in **Findings 2020-01 and 2020-02**.

Compliance and Other Matters

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

County Office's Response to Findings

The County Office's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County Office's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Stephen Roatch Accountancy Corporation

STEPHEN ROATCH ACCOUNTANCY CORPORATION
Certified Public Accountants

January 27, 2021

FINDINGS AND QUESTIONED COSTS SECTION

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

State Awards

Any audit findings required to be reported in accordance with the <i>2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting?</i>	<u> </u> Yes	<u> X </u> No	
Type of auditor's report issued on compliance for state programs:	Unmodified		

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

2020 - 001 / 30000

SIGNIFICANT DEFICIENCY

FINANCIAL REPORTING - UNAUDITED ACTUALS

<u>Criteria:</u>	Each year, county offices of education are responsible for preparing complete and accurate financial information, which is reported to the California Department of Education in the form of the "Unaudited Actuals" Financial Report. In addition, each year the governing board certifies that the report was prepared in accordance with Education Code Section 41010, and approves the report as the official submission of financial information that will be used as the basis for the County Office's annual financial statements. Accordingly, county offices should have an effective system of internal control over financial reporting that will ensure that the information contained in the report is free of material misstatement.
<u>Condition:</u>	The County Office's "Unaudited Actuals" included misstatements that we consider to be material to their annual financial statements. Accordingly, it appears that internal control over financial reporting was inadequate in the areas where audit adjustments were required.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The adjustments that were made to ensure that the financial statements were fairly stated are presented on page 62 of this report.
<u>Effect:</u>	When an effective system of internal control over financial reporting is not in place, there is a reasonable possibility that material misstatements of the County Office's financial statements will not be prevented, or detected and corrected on a timely basis.
<u>Cause:</u>	The County Office did not have effective procedures in place to ensure that the "Unaudited Actuals" were free of material misstatements.
<u>Recommendation:</u>	The County Office should develop a more comprehensive financial reporting checklist, to be used by staff during the year-end closing process, to prevent misstatements from occurring in the future.

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

FINANCIAL REPORTING - UNAUDITED ACTUALS (CONCLUDED)

County Response:

One misstatement is an overstatement of LCFF revenue of \$52,892. This amount represents a California Department of Education (CDE) billing to recover Fiscal Year 2019-20 Education Protection Account (EPA) funds. The CDE noted EPA revenue declined as of the Fourth Quarter. The COE monitors EPA revenues regularly and revises its budget accordingly. As a result of the COVID -19 outbreak many potential economic impacts to California apportionments, including EPA, surfaced during the 2019/20 Fourth Quarter. The impacts not only affected the 2019/20 Fourth Quarter but the 2020/21 Budget year and the two subsequent years for Multi-year projections. The Final CDE invoice for the 2019/20 Fourth Quarter recovery was received by the COE on September 21, 2020 after the Unaudited Actuals had been approved by the Board.

The second misstatement consists primarily of Special Education Revenue for \$22,626 being recorded in the County Office of Education's Revenue when the revenue should have been recorded in the District. The COE's procedures for recording deposits include preparation by the Fiscal Services Coordinator followed by review and approval by the Business Manager. The COE's comprehensive financial reporting checklist includes a step requiring "Entitlement programs have been reconciled as per the CAT Form and appropriate receivables or deferrals (unearned revenue) accruals made to the ledgers." This step was improperly performed by the Business Manager during year end closing. During fiscal year 2019/2020 the Business Services Office on-boarded a new Fiscal Services Coordinator and was required to work remotely from home as much as possible during the COVID-19 outbreak. These 2 factors impacted the COE's system of internal control. A mitigating internal control element is the County Office of Education's and the District's cash is reconciled monthly; thus, the impact of the misstatement on the overall financial condition of the COE is \$0.

ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2020 - 002 / 30000

SIGNIFICANT DEFICIENCY

DEFICIT SPENDING

<u>Criteria:</u>	In accordance with Title 5, CCR, Section 15450, the State recommends that county offices of education maintain available reserves the greater of 5% of total County School Service Fund expenditures, transfers out, and other uses (total outgo) or \$69,000.
<u>Condition:</u>	Although the County Office currently has available reserves that exceed the state recommended minimum reserve, the County Office incurred operating deficits of \$106,482, \$92,045, and \$100,976 during fiscal years 2019-20, 2018-19 and 2017-18, respectively. As a result, the fund balance of the County School Service Fund decreased \$299,503 over the past three years.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	County School Service Fund expenditures, transfers out and other uses have exceeded revenues and other sources over the past three fiscal years.
<u>Effect:</u>	If appropriate program cuts are not made in a timely manner, and available reserves are allowed to continue to decline, it may impair the County Offices' ability to meet its obligations as they become due in future years.
<u>Cause:</u>	The County Office has not reduced its program spending down to a level, which can be supported by the amount of revenue received.
<u>Recommendation:</u>	The County Office should take appropriate action to reduce its program spending down to a level, which can be supported by the amount of revenue received by the County Office.
<u>County Response:</u>	For the past three years the COE has planned and included in its budget deficit spending to support its programs in both the COE and District. The COE has taken appropriate action and as of First Interim in the 2020/21 fiscal year has projected a \$28,793 surplus. In addition, the COE has projected surpluses of \$24,326 and 17,250 for the 2021/22 and 2022/23 fiscal years. Available Reserves by percent are projected to be 89.44%, 104.50% and 105.37% for the fiscal years 2020/21, 2021/22, and 2022/23 respectively.

**ALPINE COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no matters to report for the fiscal year ended June 30, 2020.

**ALPINE COUNTY OFFICE OF EDUCATION
STATUS OF PRIOR YEAR RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Recommendations</u>	<u>Current Status</u>	<u>Explanation If Not Fully Implemented</u>
<u>STATE AWARDS</u>		
2019 - 001 / 70000		
<u>INSTRUCTIONAL MATERIALS</u>		
The County Office should enforce established procedures to ensure that a compliant public hearing is held, and the required resolution is adopted, within the first eight weeks of school in accordance with Education Code Section 60119.	Implemented	
2019 - 002 / 72000		
<u>SCHOOL ACCOUNTABILITY REPORT CARD - FACILITIES</u>		
Future school accountability report card disclosures regarding safety, cleanliness, and adequacy of school facilities, should be based on and consistent with the most recent available data collected by the County Office.	Implemented	