



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

December 14, 2015

State Controller's Office
Division of Audits
Financial Audits Bureau - Education
Oversight Unit
Via PDF to <ftp://ftp.sco.ca.gov/>

To Whom It May Concern:

The following is the electronic version (pdf) of the annual financial report for the Alameda County Office of Education for the year ended June 30, 2015.

Very truly yours,

Xiupin Guillaume, Partner
of VAVRINEK, TRINE, DAY & CO., LLP

XG/bjz

RECEIVED

By eapodaca at 3:00 pm, Dec 14, 2015

ALAMEDA COUNTY OFFICE OF EDUCATION

**FOR THE YEAR ENDED
JUNE 30, 2015**

**ANNUAL FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

ALAMEDA COUNTY OFFICE OF EDUCATION

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Alameda County Office of Education
Hayward, 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 Alameda County Office of Education (ACOE) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the ACOE'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; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 ACOE'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 ACOE'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 ACOE, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the ACOE adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison, other postemployment benefit, net pension liability, and ACOE contribution information, as listed in the table of contents, 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 Alameda County Office of Education's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015, on our consideration of the Alameda County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alameda County Office of Education's internal control over financial reporting and compliance.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2015

ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

This section of the Alameda County Office of Education's (ACOE) Report on Audit of Financial Statements presents a narrative overview and analysis of the financial activities of ACOE for the year ended June 30, 2015. ACOE's financial statements immediately follow the narrative and provide additional information.

Mission of the Alameda County Office of Education

Provide, promote and support leadership and service to ensure the success of Every Child...in Every School...Every Day!

ACOE plays a critical regional and local role in education by actively linking administrators, teachers, and students in our 18 school districts to the state's policy priorities and new initiatives. This linkage occurs by providing strategic support for district systems including Educational Services, Human Resources, Business Operations, Teacher Credentialing, Information Technology and Alternative Education.

Overview of ACOE Programs and Services:

- Provide direct services to Alameda County children with special needs and their parents (special education infant programs), incarcerated youth, expelled youth, and school-age parents and their children (Cal-SAFE Programs) by operating county-wide court and community schools.
- Provide fiscal oversight of school districts within the County.
- Provide professional development and technical assistance for administrators and teachers county-wide and regionally.
- Work with administrators and faculty at high priority (under-performing) schools to revamp the way these schools foster student achievement.
- Provide state-mandated services that include the collection and submission of districts' state reports, registering credentials, administration of districts' STRS and PERS plans.
- Monitor districts' cash transactions with the County Auditor and Treasurer.
- Provide business operations and human resources services to school districts and charter schools.
- Provide internet and technology access and support to districts and charter schools.
- Provide regional leadership and develop partnerships to address problems and increase resources.
- Provide training, support and technical assistance in the areas of: curriculum, school reform, parent education and compliance.
- Serve as liaison between California Department of Education and school districts.
- Serve as liaison between university/college systems and school districts.

ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

Overview of the Financial Statements

The financial statements presented herein include all of the activities of ACOE and its component units using the integrated approach as required by Governmental Accounting Standards Board (GASB) Statement No. 34.

Descriptions of Financial Statements

The **Government-wide Financial Statements** present the financial picture of ACOE from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of ACOE (including infrastructure such as land, buildings, and equipment) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activities, payables and receivables.

The **Fund Financial Statements** include statements for governmental activities.

The **Governmental Activities** are prepared using the current financial resources measurement focus and modified accrual basis of accounting (please see "Basis of Accounting" under the Notes to Financial Statements), all of the ACOE services are reported in this category. It includes the implementation of fiscal oversight of school districts and operation of the Juvenile Court Schools, Community Schools, Special Education, Cal-SAFE as well as supervision of instruction, pupil and community services to provide instructional support to school districts and the ongoing effort to improve and maintain buildings, technology services, and other general administration activities. These activities are financed by the state apportionment, property taxes, federal and state grants and local contracts.

Financial Reporting of the Alameda County Office of Education as a Whole

The **Statement of Net Position** and the **Statement of Activities** are the two financial statements that report the county-wide financial condition and activities of ACOE as a whole. These statements include all assets and liabilities of ACOE using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. That is, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report ACOE's net position and changes made to them. Net position is the difference between assets and liabilities, another indication of ACOE's financial health. The increase or decrease in net position over time signifies the improvement or deterioration of the fiscal viability of ACOE.

The **Statement of Net Position** is a county-wide financial statement that reports all ACOE's possessions (assets) and obligations (liabilities). It accounts for the value of fixed assets (land, buildings and equipment) and displays these values as part of the financial statements.

The total assets of \$50,407,375 include deposits and investments of \$37,177,298; accounts receivables of \$6,328,893; prepaid expense of \$4,293; capital assets not depreciated of \$992,472 and capital assets net of accumulated depreciation of \$5,904,419.

The total liabilities of \$37,829,154 are comprised of accounts payable of \$4,869,771; unearned revenue of \$2,981,252; and long-term obligations of \$29,978,131 (including pension liability).

ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The total net position of \$7,349,353 is aggregated into \$9,225,180 net investment in capital assets; \$1,455 for capital projects; \$3,985,230 of funds restricted for educational programs; \$2,581,132 restricted for other purposes; and \$(8,443,644) unrestricted.

Land is accounted for at acquisition cost, not at present market value and is not subject to depreciation. The recorded values of the land are low because they were acquired several decades ago. Buildings are valued at their historical cost of construction less depreciation.

On December 10, 2002, the Alameda County Board of Education adopted \$25,000 as its threshold for capitalizing assets.

The County as a Trustee

ACOE is the trustee, or fiduciary, for funds held on behalf of others, like our funds for the Employee Retiree Benefits and Agency Warrant/Pass-Through. ACOE's fiduciary activities are reported separately in the *Statements of Fiduciary Net Position*. These activities are excluded from other ACOE government-wide financial statements because ACOE cannot use these assets or resources to finance its operations. ACOE is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Highlights

In Fiscal Year 2014/15, California implemented a new funding formula as the major source of revenue for the K-12 educational system. The Local Control Funding Formula was created as a replacement for the Revenue Limit funding model to provide additional revenues to agencies that have a higher concentration of disadvantaged youth. Most of the categorical funding previously received from the State has now been combined with the base funding for all educational agencies, allowing more local control over the use of funds.

County Offices automatically receive additional funding for juvenile court students

The General Fund Ending Balance remained healthy during 2014/15, allowing the agency to maintain adequate reserves for unanticipated need of future program operations.

Average Daily Attendance

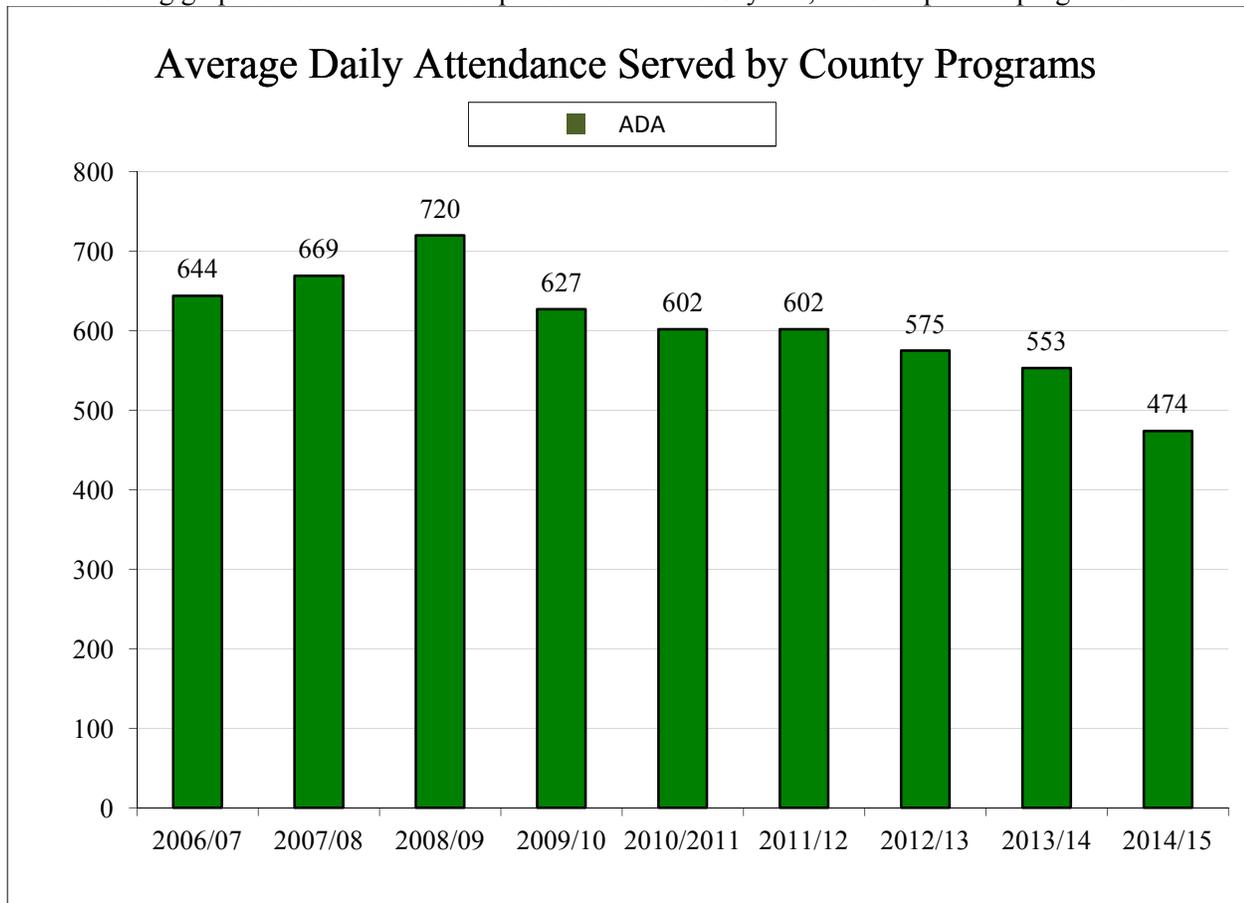
A significant revenue source for ACOE is the LCFF funding formula. Like the former Revenue Limit funding formula, the main driver is average daily attendance (ADA) from the Juvenile Court and Community Schools and from the County Operations Grant generated by countywide ADA.

The enrollment for ACOE operated schools depends on the number of incarcerated youth mandated to attend Juvenile Court Schools and attendance of students who have been expelled, are on probation or parole or have been probation referred in the Community Schools.

ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The following graphs show the ADA comparison for the last 9 years, ACOE operated programs.



Grants, Entitlements and Other Local Income

Other major sources of revenue for ACOE are grants and entitlements. The use of these revenues is often restricted to certain program and activities.

Significant Federal Revenues include School Transformation through Arts (STArts), Carol White Physical Education, Title I, Fresh Meals, Nutrition Education and After School Learning Centers.

Other State revenues in addition to the LCFF include After School Education, Tobacco Use Prevention Education (TUPE), Foster Youth Services, California State Resource Centers, Common Core, Special Education Infant Program and Lottery Funds.

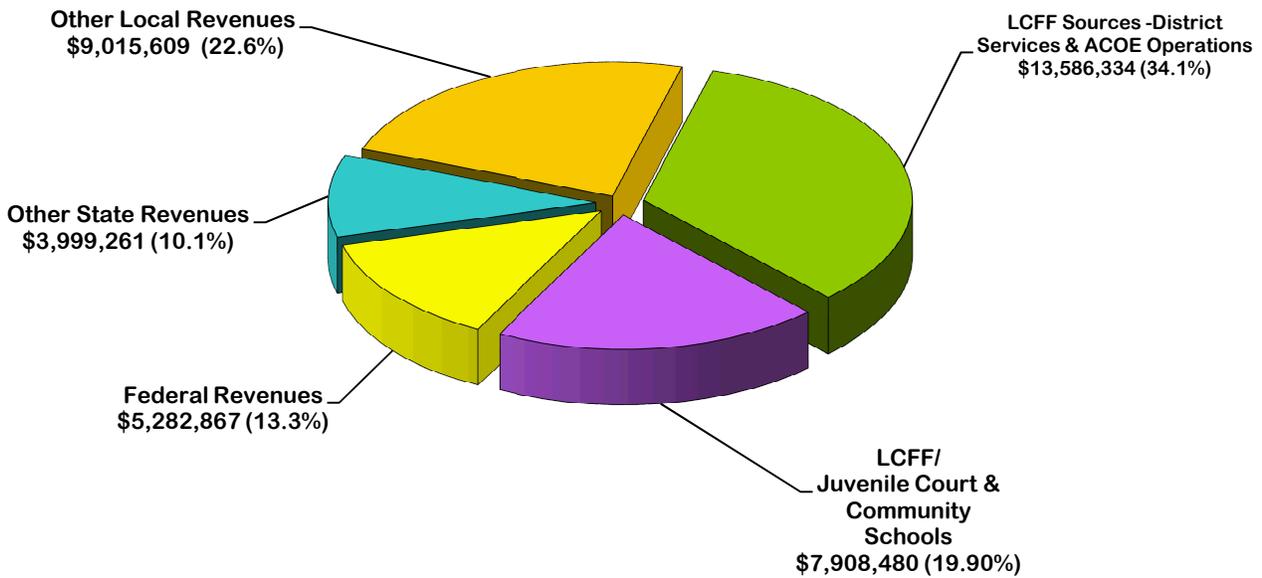
Local revenues consist of contracts and partnerships with a local university (Integrated Middle School Science Project), CA Department of Health Services (Project Eat, Nutrition Network and Foster Youth Mentor), corporate foundations and private companies. Other local income is generated by workshop accounts, interest income and ACOE services to other agencies.

ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The County School Service Fund

In FY 2014/15, ACOE total revenues were \$39,792,551, a decrease of \$416,859 from the prior year. The sources of the revenues are shown in the following pie chart:



The combined revenue generated by the ADA state apportionment was \$21,494,812 and the combined federal, state categorical and local revenue was \$18,297,737, representing 54% and 46% of the total revenues, respectively.

ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The following two-year comparison of revenues from federal and other state revenue and other local revenue:

	<u>FY 2013/14</u>	<u>FY 2014/15</u>	<u>Increase (Decrease)</u>
Federal Revenue	\$ 4,626,080	\$ 5,282,867	\$ 656,787
Other State Revenue	\$ 4,116,846	\$ 3,999,262	\$ (117,584)
Other Local Revenue	\$ 9,434,976	\$ 9,015,609	\$ (419,367)
Total	<u>\$18,177,902</u>	<u>\$18,297,738</u>	<u>\$ 119,834</u>

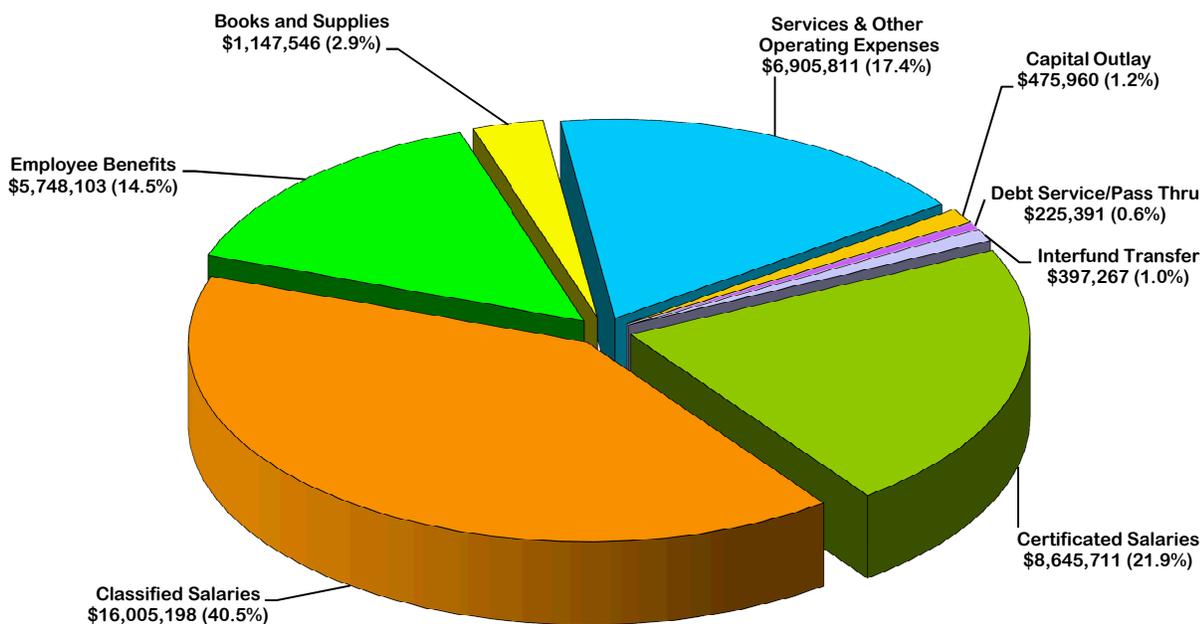
Actual Versus the Original Budget

The original budgets were based on the history of funding and latest information from the grantor agencies at the time the budget was prepared. During the year, we made adjustments and carryover from these programs was budgeted.

As the fiscal year progressed, ACOE revised its budget to reflect the latest available information. A comparison of the final budgeted amounts to the original adopted budget is reflected in the Budgetary Comparison Schedule.

Expenditures

The following charts show the breakdown of the \$39,550,987 total actual expenditures and disbursements during the fiscal year:



ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

Solvency

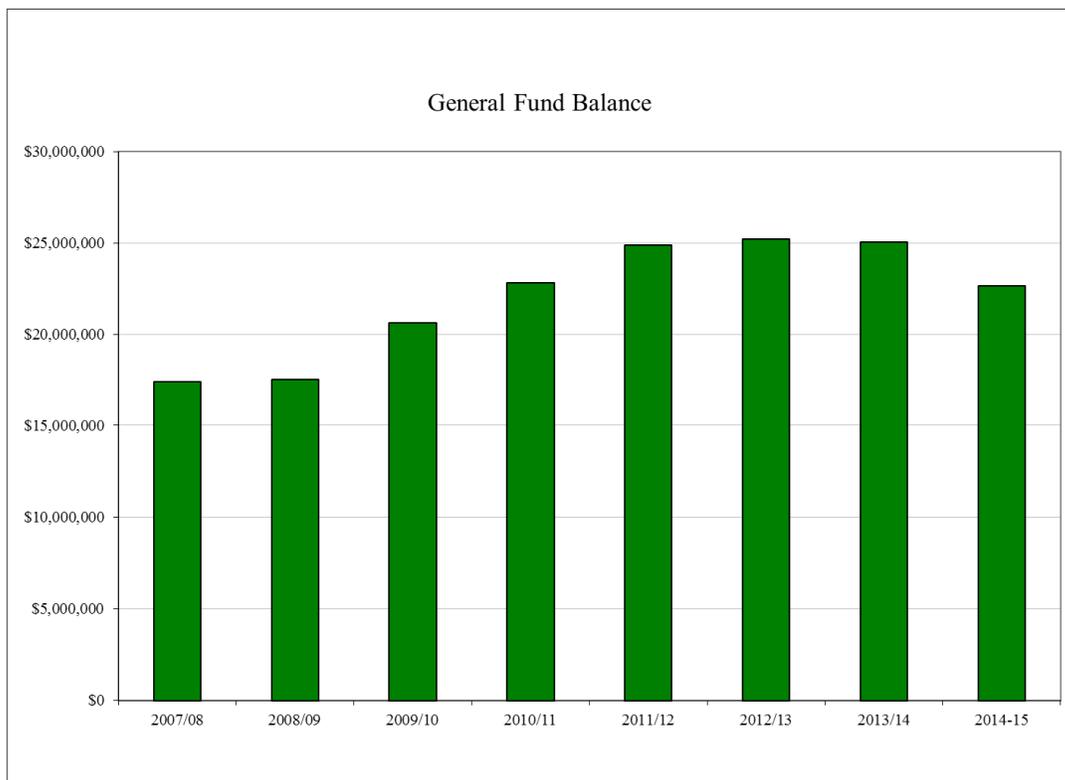
Although the minimum Reserve for Economic Uncertainties set by the State Criteria and Standards is 3%, ACOE reserves 8.8% of General Fund (Fund 01) Expenditures, equivalent to \$3,479,441 this year. The additional amount will allow ACOE some time to make program adjustments for any unanticipated change in state funding, should that occur.

ACOE closed FY 2014/15 with a total ending fund balance of \$29,313,668 in the County School Service Fund, an increase of \$253,354 from the prior year. The following table shows the comparison:

	FY 2013/14	FY 2014/15	Increase (Decrease)
Nonspendable	\$ 38,239	\$ 39,293	\$ 1,054
Restricted	2,893,881	3,985,230	1,091,349
Committed	2,500,000	4,000,634	1,500,634
Assigned	20,795,608	16,202,198	(4,593,410)
Unassigned	2,832,586	5,086,313	2,253,727
Total	\$ 29,060,314	\$ 29,313,668	\$ 253,354

The balance above includes Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects. The Balance in Fund 17 at close was \$4,000,634.

The following chart is a 8-year-history of the general fund balance.



ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

Long-Term Obligation Other Than Pension

Current year obligations include unpaid Compensated Absences \$929,144 and Other Post-Employment Benefits \$1,550,687. Detailed information regarding the long-term obligation is presented in Note 8 of the financial statements.

Net Pension Liability (NPL)

ACOE implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which required the ACOE to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. The implementation resulted in a reduction of beginning net position of \$33.5 million. As of June 30, 2015, the ACOE reported Deferred Outflows from pension activities of \$3.2 million, Deferred Inflows from pension activities of \$8.4 million, and a Net Pension Liability of \$27.5 million.

Other funds:

In addition to the County School Service Fund, ACOE also operates the following funds:

Deferred Maintenance Fund – this fund was originally created to cover major repairs or replacement under a plan approved by the State Allocation Board. Under the provisions of the SBX 3 4 of the 2009 Budget Act, this fund was classified as a Tier III program allowing its use for any educational purpose. Despite its flexibility of use, ACOE management decided to continue the operations of the deferred maintenance programs. The balance of this fund at year end is \$2,581,132.

Special Reserve for Non-Capital Outlay – this fund was originally set up under Article XIIB for other necessary contingencies including fiscal assistance to school districts. In compliance with GASB 34, the money was transferred in fiscal year 2003/04 into this fund. Amounts from this fund must be transferred into the General Fund or other appropriate funds before expenditures can be made. The ending fund balance is \$4,000,634.

Under GASB 54, effective Fiscal Year 2010/11, this fund no longer meets the definition of a special revenue fund and is added as part of County School Service Fund in the audited Statement of Revenue, Expenditures and Changes in fund Balances. However, ACOE opted to keep Fund 17 and maintains its current purpose.

Building Fund – this fund was created in Fiscal Year 2009/10 to accommodate the proceeds of the board-approved sale of the Rock LaFleche property. The Board action also restricts the use of the fund for leasing and/or facility acquisition for use by the Student Programs and Services. The fund balance as of June 30, 2015 is \$2,329,744.

Special Reserve for Capital Outlay Projects – this fund is used for accumulating monies for capital related expenditures. In addition to revenues from redevelopment agencies, it also includes ten percent (10%) of the annual rental revenues to cover tenant-related facility expenditures and improvements. The ending fund balance is \$808,224.

Self-Insurance Fund – ACOE provides post-employment health care benefits to retired employees to age 65 (or for life for certain eligible employees). This fund was created in fiscal year 2008/09 for recording payments of such benefits and for accounting for funds to cover present and future costs established by actuarial studies. The balance at year-end is \$0.

ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The total ending fund balance of all Funds combined is \$35,032,768.

Summary

With an improving economy and the second year of the new funding model, the Alameda County Office of Education continues to remain in good fiscal health. Management of its resources, the exercise of sound business practices, and appropriate internal controls support this. Conscientious budget management, compliance and adherence to regulations, diligent oversight and revenue maximization exercised by the entire management team and staff support the operations as well. Through the guidance of the County Superintendent, ACOE is making significant progress in seeking additional grants and entitlements. While creating additional revenues for ACOE, these programs also increase educational services to the staff and students of the school districts in Alameda County and neighboring counties through the regional programs that are part of ACOE.

ACOE expects to continue to deliver its regular programs and services. The County Superintendent and her staff will continue to closely monitor the statewide fiscal situation, and will take the necessary and appropriate actions to ensure the continued financial stability of ACOE with the least impact to its missions and objectives.

Contacting the ACOE's Financial Management

This financial report is designed to provide our parents, citizens, taxpayers, investors, and creditors with a general overview of ACOE's finances and to show the County's accountability for the money it receives.

If you have any questions regarding this report or need additional information, please contact:

Gary Jones
Associate Superintendent
or
Leigh Ann Blessing
Executive Director, Internal Business Services

Alameda County Office of Education
313 West Winton Avenue, Hayward, California 94544

ALAMEDA COUNTY OFFICE OF EDUCATION

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 37,177,298
Receivables	6,328,893
Prepaid expenses	4,293
Capital assets not depreciated	992,472
Capital assets, net of accumulated depreciation	5,904,419
Total Assets	<u>50,407,375</u>
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	3,159,551
LIABILITIES	
Accounts payable	4,869,771
Unearned revenue	2,981,252
Noncurrent portion of long-term obligations other than pensions	2,479,832
Aggregate net pension liability	27,498,299
Total Liabilities	<u>37,829,154</u>
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan investments	8,388,419
NET POSITION	
Net investment in capital assets	9,225,180
Restricted for:	
Capital projects	1,455
Educational programs	3,985,230
Other restrictions	2,581,132
Unrestricted	(8,443,644)
Total Net Position	<u>\$ 7,349,353</u>

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

ALAMEDA COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 7,518,228	\$ 465,645	\$ 1,505,439	\$ (5,547,144)
Instruction-related activities:				
Supervision of instruction	11,032,794	956,398	5,184,367	(4,892,029)
Instructional library, media, and technology	1,402,152	-	1,343,095	(59,057)
School site administration	1,609,807	-	23,641	(1,586,166)
Pupil services:				
Food services	148,587	-	92,295	(56,292)
All other pupil services	1,342,723	395,753	1,030,044	83,074
Administration:				
Data processing	3,434,022	-	-	(3,434,022)
All other administration	9,721,845	253,528	870,531	(8,597,786)
Plant services	597,755	-	12,862	(584,893)
Ancillary services	555,691	252,326	286,805	(16,560)
Community services	1,319,258	400,155	895,296	(23,807)
Enterprise services	401,721	3,164	3,521	(395,036)
Other outgo	225,391	-	225,391	-
Total Governmental Activities	\$ 39,309,974	\$ 2,726,969	\$ 11,473,287	(25,109,718)
General revenues and subventions:				
Property taxes, levied for general purposes				10,840,170
Taxes levied for other specific purposes				362,638
Federal and State aid not restricted to specific				11,220,056
Interest and investment earnings				109,798
Interagency revenues				1,711,208
Miscellaneous				1,413,424
			Subtotal, General Revenue	25,657,294
Change in Net Position				547,576
Net Position - Beginning as restated				6,801,777
Net Position - Ending				\$ 7,349,353

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

ALAMEDA COUNTY OFFICE OF EDUCATION

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	County School Service Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	\$ 31,202,090	\$ 5,715,607	\$ 36,917,697
Receivables	6,325,143	3,574	6,328,717
Due from other funds	345	-	345
Prepaid expenditures	4,293	-	4,293
Total Assets	\$ 37,531,871	\$ 5,719,181	\$ 43,251,052
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,839,684	\$ 81	\$ 4,839,765
Due to other funds	397,267	-	397,267
Unearned revenue	2,981,252	-	2,981,252
Total Liabilities	8,218,203	81	8,218,284
Fund Balances:			
Nonspendable	39,293	-	39,293
Restricted	3,985,230	-	3,985,230
Committed	4,000,634	5,719,100	9,719,734
Assigned	16,202,198	-	16,202,198
Unassigned	5,086,313	-	5,086,313
Total Fund Balances	29,313,668	5,719,100	35,032,768
Total Liabilities and Fund Balances	\$ 37,531,871	\$ 5,719,181	\$ 43,251,052

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

ALAMEDA COUNTY OFFICE OF EDUCATION

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total Fund Balance - Governmental Funds		\$35,032,768
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 14,377,623	
Accumulated depreciation is	<u>\$ (7,480,731)</u>	
Net Capital Assets		6,896,892
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		3,159,551
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(8,388,419)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Compensated absences (vacations)	929,144	
Net OPEB obligation (less amount in Internal Service Fund)	923,996	
Net pension liability	<u>27,498,299</u>	
Total Long-Term Obligations		<u>(29,351,439)</u>
Total Net Position - Governmental Activities		<u>\$ 7,349,353</u>

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

ALAMEDA COUNTY OFFICE OF EDUCATION

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	County School Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local control funding formula	\$ 21,494,812	\$ -	\$ 21,494,812
Federal sources	5,282,867	-	5,282,867
Other State sources	3,999,262	-	3,999,262
Other local sources	9,027,403	17,014	9,044,417
Total Revenues	39,804,344	17,014	39,821,358
EXPENDITURES			
Current			
Instruction	7,397,760	-	7,397,760
Instruction-related activities:			
Supervision of instruction	10,882,298	-	10,882,298
Instructional library, media and technology	1,416,590	-	1,416,590
School site administration	1,626,383	-	1,626,383
Pupil services:			
Food services	150,116	-	150,116
All other pupil services	1,356,549	-	1,356,549
Administration:			
Data processing	3,764,103	-	3,764,103
All other administration	9,821,947	-	9,821,947
Plant services	564,587	39,325	603,912
Facility acquisition and construction	46,782	61,246	108,028
Ancillary services	561,412	-	561,412
Community services	1,332,841	-	1,332,841
Other outgo	225,391	-	225,391
Enterprise services	6,964	-	6,964
Total Expenditures	39,153,723	100,571	39,254,294
Excess (Deficiency) of Revenues Over Expenditures	650,621	(83,557)	567,064
Other Financing Sources (Uses)			
Transfers out	(397,267)	-	(397,267)
Net Financing Sources (Uses)	(397,267)	-	(397,267)
NET CHANGE IN FUND BALANCES	253,354	(83,557)	169,797
Fund Balance - Beginning	29,060,314	5,802,657	34,862,971
Fund Balance - Ending	\$ 29,313,668	\$ 5,719,100	\$ 35,032,768

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

ALAMEDA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (continued) FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds **\$ 169,797**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Depreciation expense	\$(397,925)	
Capital outlays	<u>537,078</u>	
Net Expense Adjustment		139,153

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Vacation used was less than the amounts earned. (187,534)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

742,456

The difference between Annual Required Contribution for Other Postemployment Benefit and amount actually contributed and accrued is recognized in the governmental activities.

(316,296)

\$ 547,576

Change in Net Position of Governmental Activities

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

ALAMEDA COUNTY OFFICE OF EDUCATION

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 259,601
Receivables	176
Due from other funds	<u>397,267</u>
Total Current Assets	<u>657,044</u>
LIABILITIES	
Current Liabilities	
Accounts payable	30,006
Due to other funds	<u>345</u>
Total Current Liabilities	<u>30,351</u>
Noncurrent Liabilities	
Net OPEB obligation	<u>626,692</u>
NET POSITION	
Restricted	<u>-</u>
Total Net Position	<u>\$ -</u>

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

ALAMEDA COUNTY OFFICE OF EDUCATION

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 448
Total Operating Revenues	<u>448</u>
OPERATING EXPENSES	
Other operating cost	398,893
Total Operating Expenses	<u>398,893</u>
Operating Loss	<u>(398,445)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,178
Transfers in	397,267
Total Nonoperating Revenues (Expenses)	<u>398,445</u>
Change in Net Position	-
Total Net Position - Beginning	-
Total Net Position - Ending	<u>\$ -</u>

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

ALAMEDA COUNTY OFFICE OF EDUCATION

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
County School Service Fund transfer for OPEB	\$ 251,995
OPEB benefit payments	(384,803)
Other operating cash payments	168
Net Cash Used by Operating Activities	<u>(132,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1,178
Net Cash Provided by Investing Activities	<u>1,178</u>
Net Decrease in Cash and Cash Equivalents	(131,462)
Cash and Cash Equivalents - Beginning	391,063
Cash and Cash Equivalents - Ending	<u>\$ 259,601</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating loss	\$ (398,445)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Receivables	168
Due from other fund	251,547
Accrued liabilities	14,090
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (132,640)</u>

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

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Alameda County Office of Education (the ACOE) was organized in 1954 under the laws of the State of California. The ACOE operates under a locally elected seven-member Board form of government and is the connecting link between the 18 local school districts, 4 regional occupational center/program joint powers agencies and 3 community college districts within the County of Alameda and the California State Department of Education. From its headquarters located in the City of Hayward, The ACOE operates programs throughout the County. The ACOE provides a variety of mandated and discretionary services to the school districts and the joint powers agencies, which include supervising school districts in complying with State laws, assisting districts in improving their services, providing services such as data processing, business, and staff development, and educating selected groups of students not served by the school districts.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the COE consists of all funds, departments, boards, and agencies that are not legally separate from the ACOE.

The ACOE has reviewed criteria to determine whether other entities with activities that benefit the ACOE should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The ACOE has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the ACOE's financial statements. In addition, the ACOE is not aware of any entity that would exercise such oversight responsibility that would result in the ACOE being considered a component unit of that entity.

Other Related Entities

Charter School The ACOE has approved Charters for Charter Schools listed below pursuant to *Education Code* Section 47605. The Charter Schools are not operated by the ACOE and not considered as component units of the ACOE. The charter schools chartered by the COE are as follows:

- Community School for Creative Education
- Yu Ming Charter School
- Aspire California College Prep Academy
- FAME Charter School
- Cox Academy
- Envisions Academy for Arts & Technology
- Lazear Charter Academy
- Urban Montessori Charter

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the ACOE's contributions for deferred maintenance purposes (*Education Code Section 17582-17587*) and for items of maintenance approved by the State Allocation Board.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

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

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The ACOE operates a Self-Insurance Fund that is accounted for in an internal service fund. The Self-Insurance Fund was established to accumulate earmarked assets to finance the cost of other postemployment benefits, to pay costs of postemployment benefits for current retirees and to record the other postemployment benefit obligation.

Basis of Accounting - Measurement Focus

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

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

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

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Fund Financial Statements Fund financial statements report detailed information about the ACOE. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how ACOE finances and meets the cash flow needs of its proprietary fund.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The ACOE's cash and cash equivalents include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The ACOE has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The ACOE has chosen to report the expenditures when paid.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the ACOE. The ACOE maintains a capitalization threshold of \$25,000. The ACOE does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvement of sites, 20 years; machinery and equipment, 8 to 10 years.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The ACOE reports deferred outflows of resources for the current year pension contributions.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The ACOE reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the ACOE. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the ACOE's adopted policy, only the assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the ACOE considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the ACOE considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the County School Service Fund in order to protect the ACOE against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The ACOE has no related debt outstanding as of June 30, 2015. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by ACOE or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. ACOE first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$6,567,817 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For ACOE, these revenues are charges to other funds for employees self-insurance claims and post-employment benefit payments. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

Estimates

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

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

ACOE has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

ACOE has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, ACOE has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$33,469,622. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

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In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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NOTES TO FINANCIAL STATEMENTS

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This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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NOTES TO FINANCIAL STATEMENTS

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The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	<u>\$37,177,298</u>
Total Deposits and Investments	<u>\$37,177,298</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 46,845
Cash in revolving	35,000
Investments	<u>37,095,453</u>
Total Deposits and Investments	<u>\$37,177,298</u>

Policies and Practices

ACOE 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.

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

Investment in the State Investment Pool - ACOE is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the investment in the pool is reported in the accompanying financial statement at amounts based upon the pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. ACOE manages its exposure to interest rate risk by investing in the county pool and LAIF and/or having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

ACOE 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 District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity
County Pool	\$ 36,433,527	466 days
Local Agency Investment Fund	716,827	239 Days
Total	\$ 37,150,354	

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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. ACOE's investment in the county pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2015.

Concentration of Credit Risk

The investment policy of the ACOE contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, ACOE's deposits may not be returned to it. ACOE does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, all of ACOE's bank balance were insured by FDIC.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, ACOE will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. ACOE's investment policy limits the amount of securities that can be held by counterparties.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total	Proprietary Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Federal Government				
Categorical aid	\$ 2,725,385	\$ -	\$ 2,725,385	\$ -
State Government				
Apportionment	187,064	-	187,064	-
Categorical aid	588,921	-	588,921	-
Lottery	48,947	-	48,947	-
Other State	1,226,809	-	1,226,809	-
Local Government				
Interest	19,942	3,574	23,516	-
Other Local Sources	<u>1,528,075</u>	<u>-</u>	<u>1,528,075</u>	<u>176</u>
Total	<u>\$ 6,325,143</u>	<u>\$ 3,574</u>	<u>\$ 6,328,717</u>	<u>\$ 176</u>

ALAMEDA COUNTY OFFICE OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>July 01, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 992,472	\$ -	\$ -	\$ 992,472
Construction in Progress	<u>26,741</u>	<u>-</u>	<u>26,741</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	1,019,213	-	26,741	992,472
Capital Assets Being Depreciated:				
Land Improvements	690,837	26,741	-	717,578
Buildings and Improvements	11,366,323	108,028	-	11,474,351
Furniture and Equipment	<u>764,172</u>	<u>429,050</u>	<u>-</u>	<u>1,193,222</u>
Total Capital Assets Being Depreciated	<u>12,821,332</u>	<u>563,819</u>	<u>-</u>	<u>13,385,151</u>
Total Capital Assets	<u>13,840,545</u>	<u>563,819</u>	<u>26,741</u>	<u>14,377,623</u>
Less Accumulated Depreciation:				
Land Improvements	427,576	37,334	-	464,910
Buildings and Improvements	6,116,793	231,062	-	6,347,855
Furniture and Equipment	<u>538,438</u>	<u>129,529</u>	<u>-</u>	<u>667,967</u>
Total Accumulated Depreciation	<u>7,082,807</u>	<u>397,925</u>	<u>-</u>	<u>7,480,732</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,757,738</u>	<u>\$ 165,894</u>	<u>\$ 26,741</u>	<u>\$ 6,896,891</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities		
Supervision of instruction		\$ 268,396
Data processing		<u>129,529</u>
Total Depreciation Expenses - Governmental Activities		<u>\$ 397,925</u>

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds and non-major internal service funds are as follows:

Due To	Due From		Total
	County School Service Fund	Internal Service Funds	
County School Service Fund	\$ -	\$ 397,267	\$ 397,267
Proprietary Funds	345	-	345
Total	\$ 345	\$ 397,267	\$ 397,612

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

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfer From	
	Internal Service Funds	Total
General Fund	\$ 397,267	\$ 397,267
Total	\$ 397,267	\$ 397,267

The General Fund transferred to the Internal Service Fund for additional funding support for OPEB.

Total	\$ 397,267
	\$ 397,267

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

ALAMEDA COUNTY OFFICE OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	County School Service Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	\$ 3,015,899	\$ 81	\$ 3,015,980	\$ 30,006
Salaries and benefits	1,823,785	-	1,823,785	-
Total	<u>\$ 4,839,684</u>	<u>\$ 81</u>	<u>\$ 4,839,765</u>	<u>\$ 30,006</u>

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund
Federal financial assistance	\$ 211,976
State categorical aid	2,729,260
Other local	40,016
Total	<u>\$ 2,981,252</u>

NOTE 8 - LONG-TERM OBLIGATIONS OTHER THAN PENSION

Summary

The changes in long-term obligations during the year consisted of the following:

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
Accumulated vacation - net	\$ 741,611	\$ 187,534	\$ -	\$ 929,145	-
Other Postemployment Benefits	1,234,391	316,296	-	1,550,687	-
	<u>\$ 1,976,002</u>	<u>\$ 503,830</u>	<u>\$ -</u>	<u>\$ 2,479,832</u>	<u>\$ -</u>

The accrued vacation will be paid by the fund for which the employees worked. The OPEB obligation will be paid by the Self-Insurance Fund.

Other Postemployment Benefits (OPEB) Obligation

ACOE's annual required contribution for the year ended June 30, 2015, was \$613,000, and contributions made by the District during the year were \$261,704. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$19,900 and \$(54,900) respectively, which resulted in an increase to the net OPEB obligation of \$316,296. As of June 30, 2015, the net OPEB obligation was \$1,550,687. See Note 10 for additional information regarding the OPEB obligation and the postemployment benefits plan.

ALAMEDA COUNTY OFFICE OF EDUCATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	<u>County School Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Nonspendable			
Revolving cash	\$ 35,000	\$ -	\$ 35,000
Prepaid expenditures	4,293	-	4,293
Total Nonspendable	<u>39,293</u>	<u>-</u>	<u>39,293</u>
Restricted			
Legally restricted programs	3,985,230	-	3,985,230
Total Restricted	<u>3,985,230</u>	<u>-</u>	<u>3,985,230</u>
Committed			
Other	4,000,634	5,719,100	9,719,734
Total Committed	<u>4,000,634</u>	<u>5,719,100</u>	<u>9,719,734</u>
Assigned			
Other	16,202,198	-	16,202,198
Total Assigned	<u>16,202,198</u>	<u>-</u>	<u>16,202,198</u>
Unassigned			
Reserve for economic uncertainties	3,479,441	-	3,479,441
Remaining unassigned	1,606,872	-	1,606,872
Total Unassigned	<u>5,086,313</u>	<u>-</u>	<u>5,086,313</u>
Total	<u>\$ 29,313,668</u>	<u>\$ 5,719,100</u>	<u>\$ 35,032,768</u>

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Alameda County Office of Education. ACOE provides medical and dental insurance benefits to eligible retirees and beneficiaries. ACOE provides medical benefits through PEMHCA (Public Employees' Medical Hospital Care Act, also known as the CalPERS health plan). At retirement, eligible participants may make a one-time election to receive premium subsidy toward continuation of their PEMHCA coverage or cash. Premium subsidy is two tiered. The first tier subsidizes the full premium for single PEMHCA coverage for a limited duration. Upon expiration of the first tier, the ACOE pays the PEMHCA's minimum contribution (which it calls the Retiree Admin Fee) for the remainder of the retiree's life time. Cash option is for a limited duration, with no further ACOE subsidized retiree medical coverage upon expiration of the benefit duration.

ACOE provide dental benefits for a limited duration through Delta Dental. At retirement, eligible participants make a separate election for dental coverage.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Contribution Information

ACOE's contribution to the postemployment benefits is as follows:

Employee Group	Eligibility	Benefit & Duration
ACCA	<p>Medical & Dental:</p> <ul style="list-style-type: none"> - must have been in active pay status for the 60 months immediately preceding retirement; and - have 5 or more years of ACOE service; and - have 20 or more years in CalPERS or CalSTRS; and - be at least age 55. 	<p>Medical:</p> <ul style="list-style-type: none"> - percent of retiree single rate for any PEMHCA plan for 5 years, then ACOE Retiree Admin Fee; or - percent of \$200/month cash for 5 years. <p>Dental:</p> <ul style="list-style-type: none"> - retiree only rate for Delta <i>Premier</i> plan for 5 years.
ACOE Board	<p>Medical & Dental:</p> <ul style="list-style-type: none"> - first term must have begun prior to 1995; and - have 12 or more years on the ACOE Board. 	<p>Medical:</p> <ul style="list-style-type: none"> - retiree single rate for any PEMHCA plan for lifetime. <p>Dental:</p> <ul style="list-style-type: none"> - retiree only rate for Delta <i>Premier</i> plan for lifetime.
CSEA	<p>Medical:</p> <ul style="list-style-type: none"> - must have been continuously enrolled in the ACOE medical program for at least 5 years immediately prior to retirement; and - have 15 or more years of continuous ACOE service immediately prior to retirement; and - be at least age 60 (no minimum age if hired prior to July 1, 1989, but benefit does not extend past age 65). <p>Dental:</p> <ul style="list-style-type: none"> - must have 5 or more years of ACOE service immediately prior to retirement; and - have 20 or more years in CalPERS, CalSTRS, or ACERA; and - be at least age 50. 	<p>Medical:</p> <ul style="list-style-type: none"> - percent of retiree single rate for any PEMHCA plan for 5 years (earlier of 10 years or age 65 if hired before July 1, 1989), then ACOE Retiree Admin Fee; or - percent of \$100/mo. cash for STRS/PERS retirees (\$300/mo. for ACERA retirees) for 5 years (earlier of 10 years or age 65 if hired before July 1, 1989). <p>Dental:</p> <ul style="list-style-type: none"> - retiree only rate for Delta <i>Premier</i> plan for 5 years.
Management	<p>Medical & Dental</p> <ul style="list-style-type: none"> - must be in active pay status and have been enrolled in the ACOE health plan for at least one year immediately preceding retirement; and - have 5 or more years of ACOE service; and - have 20 or more years in CalPERS or CalSTRS; and - be at least age 60 for medical (or 55, if hired before July 1, 1989) and 55 for dental. 	<p>Medical:</p> <ul style="list-style-type: none"> - PEMHCK Kaiser retiree single rate for 5 years (or the earlier of 10 years or to age 70 if hired prior to July 1, 1992), then ACOE Retiree Admin Fee; or - \$200/mo. cash for 5 years (or the earlier of 10 years or to age 70 if hired prior to July 1, 1992). <p>Dental:</p> <ul style="list-style-type: none"> - retiree only rate for Delta <i>Premier</i> plan for 5 years.
ACTA	<p>Medical & Dental</p> <ul style="list-style-type: none"> - must have been in active pay status and continuously enrolled in the ACOE health plan for the 60 months immediately preceding retirement; and - have 5 or more years of ACOE service; and - have 20 or more years in CalPERS, CalSTRS; and - be at least age 60 for medical (or 55, if hired before July 1, 1989) and 55 for dental. 	<p>Medical:</p> <ul style="list-style-type: none"> - percent of retiree single rate for any PEMHCA plan for 5 years (no limit on number of years if hired before July 1, 1989 up to age 65), then ACOE Admin Fee; or Retiree Admin Fee; or - percent of \$100/mo. cash for 5 years (no limit on number of years if hired before July 1, 1989 up to age 65). <p>Dental:</p> <ul style="list-style-type: none"> - retiree only rate for Delta <i>Premier</i> plan for 5 years.

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Annual OPEB Cost and Net OPEB Obligation

ACOE's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed and changes in the net OPEB obligation:

Annual required contribution	\$ 613,000
Interest on net OPEB obligation	19,900
Adjustment to annual required contribution	<u>(54,900)</u>
Annual OPEB cost (expense)	578,000
Contributions made	<u>(261,704)</u>
Increase in net OPEB obligation	316,296
Net OPEB obligation, beginning of year	<u>1,234,391</u>
Net OPEB obligation, end of year	<u><u>\$ 1,550,687</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 635,300	\$ 324,041	51%	\$ 814,835
2014	578,000	158,444	27%	1,234,391
2015	578,000	261,704	45%	1,550,687

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follow:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2013	\$ -	\$ 6,346,600	\$ 6,346,600	0%	\$ 21,714,028	29%

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the modified projected unit credit method was used. The actuarial assumptions included a 2 percent discount rate for fiscal year 2014-15, based on the past performance of the Alameda County Treasurer's Pool Money Investment (through which ACOE invests its assets), and increase by 100 basis points each year until reaching 4.0 percent where it remains for years 2016-17 and after. Healthcare cost trend rates ranged from 7.5 percent to 4.75 percent for 2014-15. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2013, was 30 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 11 - RISK MANAGEMENT

Property and Liability

ACOE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, ACOE contracted with Alameda County Schools Insurance Group (ASIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

ALAMEDA COUNTY OFFICE OF EDUCATION

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Workers' Compensation

For fiscal year 2015, ACOE participated in the Protected Insurance Program for Schools Joint Powers Authority (PIPS), an insurance purchasing pool. The intent of the PEPS is to achieve the benefit of a reduced premium for ACOE by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the PIPS. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the PIPS. Participation in the PIPS is limited to members that can meet the PIPS selection criteria.

Employee Medical Benefits

ACOE contracts with CalPERS for health insurance. Employees may or may not purchase plans at their own discretion.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

ACOE implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, ACOE reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 10,890,201	\$ 735,739	\$ 2,681,691	\$ 940,176
CalPERS	16,608,098	2,423,812	5,706,728	1,476,121
Total	\$ 27,498,299	\$ 3,159,551	\$ 8,388,419	\$ 2,416,297

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The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

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

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The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	8.15%	8.15%
Required employee contribution rate	8.88%	8.88%
Required employer contribution rate	5.95%	5.95%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and ACOE's total contributions were \$735,739.

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

At June 30, 2015, the ACOE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the ACOE. The amount recognized by the ACOE as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the ACOE were as follows:

Total net pension liability, including State share:

ACOE's proportionate share of net pension liability	\$ 10,890,201
State's proportionate share of the net pension liability associated with the ACOE	
	<u>6,575,974</u>
Total	<u>\$ 17,466,175</u>

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The net pension liability was measured as of June 30, 2014. The ACOE's proportion of the net pension liability was based on a projection of the ACOE's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, ACOE's proportion was 0.0186 percent.

For the year ended June 30, 2015, ACOE recognized pension expense of \$940,176. In addition, ACOE recognized revenue and pension expense of \$34,566 for support provided by the State. At June 30, 2015, ACOE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 735,739	\$ -
Differences between projected and actual earnings on pension plan investments	-	2,681,691
Total	\$ 735,739	\$ 2,681,691

The deferred outflow of resources related to pensions resulting from ACOE contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 670,423
2017	670,423
2018	670,423
2019	670,422
Total	\$ 2,681,691

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Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

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Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents ACOE's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 16,974,976
Current discount rate (7.60%)	\$ 10,890,201
1% increase	\$ 5,816,605

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

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Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. ACOE is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total ACOE contributions were \$1,579,454.

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

As of June 30, 2015, ACOE reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$16,608,098. The net pension liability was measured as of June 30, 2014. ACOE's proportion of the net pension liability was based on a projection of the ACOE's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The ACOE's proportionate share for the measurement period June 30, 2014 and June 30, 2013, respectively was 0.1463% and 0.1384%, resulting in a net decrease in the proportionate share of 0.0079%.

For the year ended June 30, 2015, ACOE recognized pension expense of \$1,476,121. At June 30, 2015, ACOE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,423,812	\$ -
Differences between projected and actual earnings on pension plan investments		5,706,728
Total	<u>\$ 2,423,812</u>	<u>\$ 5,706,728</u>

The deferred outflow of resources related to pensions resulting from ACOE contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,426,682
2017	1,426,682
2018	1,426,682
2019	1,426,682
Total	<u>\$ 5,706,728</u>

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Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

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Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents ACOE's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 29,134,395
Current discount rate (7.50%)	\$ 16,608,098
1% increase (8.50%)	\$ 6,141,114

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. ACOE has obligations to CalSTRS for early retirement incentives granted to terminated employees.

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. ACOE has elected to use the social security. Contributions made by ACOE and an employee vest immediately. ACOE contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$533,153 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

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NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

ACOE received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the ACOE at June 30, 2015.

Litigation

ACOE is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of ACOE at June 30, 2015

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

ACOE is a member of the Alameda County Schools Insurance Group, School Project for Utility Rate Reduction (SPURR), Schools Association for Excess Risk (SAFER), and Northern California Relief (Norcal ReLiEF) public entity risk pools/JPA's. ACOE pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for workers' compensation and property/liabilities are paid to the Alameda County Schools Insurance Group (ACSIG), and payments for utilities and gas services are paid to School Project for Utility Rate Reduction (SPURR). The relationships between ACOE, the pools, and the JPA's are such that they are not component units of the ACOE for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the COE are included in these statements. Audited financial statements are generally available from the respective entities.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position

Net Position - Beginning	\$ 40,271,399
Restatement of long-term obligations for implementation of GASB Statement No. 68 and No. 71	<u>(33,469,622)</u>
Net Position - Beginning as Restated	<u>\$ 6,801,777</u>

REQUIRED SUPPLEMENTARY INFORMATION

ALAMEDA COUNTY OFFICE OF EDUCATION

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(GAAP Basis)</u>	<u>Variances -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
				<u>to Actual</u>
REVENUES				
Local control funding formula	\$ 23,305,252	\$ 22,129,377	\$ 21,494,812	\$ (634,565)
Federal sources	4,758,848	5,535,632	5,282,867	(252,765)
Other State sources	3,366,258	3,454,770	3,999,262	544,492
Other local sources	7,583,326	8,754,310	9,027,403	273,093
Total Revenues ¹	<u>39,013,684</u>	<u>39,874,089</u>	<u>39,804,344</u>	<u>(69,745)</u>
EXPENDITURES				
Current				
Certificated salaries	8,913,819	\$ 8,731,256	8,645,712	85,544
Classified salaries	15,705,928	15,759,246	16,005,197	(245,951)
Employee benefits	6,146,452	5,365,164	5,748,104	(382,940)
Books and supplies	1,611,503	1,738,591	1,147,545	591,046
Services and operating expenditures	7,173,686	8,407,792	6,905,814	1,501,978
Other outgo	715,295	857,092	225,391	631,701
Capital outlay	473,000	507,091	475,960	31,131
Total Expenditures ¹	<u>40,739,683</u>	<u>41,366,232</u>	<u>39,153,723</u>	<u>2,212,509</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,725,999)</u>	<u>(1,492,143)</u>	<u>650,621</u>	<u>2,142,764</u>
Other Financing Sources (Uses)				
Transfers out	<u>(200,000)</u>	<u>(140,000)</u>	<u>(397,267)</u>	<u>(257,267)</u>
Net Financing Sources (Uses)	<u>(200,000)</u>	<u>(140,000)</u>	<u>(397,267)</u>	<u>(257,267)</u>
NET CHANGE IN FUND BALANCES	<u>(1,925,999)</u>	<u>(1,632,143)</u>	<u>253,354</u>	<u>1,885,497</u>
Fund Balance - Beginning	<u>29,060,314</u>	<u>29,060,314</u>	<u>29,060,314</u>	<u>-</u>
Fund Balance - Ending	<u>\$27,134,315</u>	<u>\$27,428,171</u>	<u>\$ 29,313,668</u>	<u>\$ 1,885,497</u>

¹ On behalf payments of are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this other fund is included in the Actual (GAAP Basis) revenues and expenditures, however is not included in the original and final General Fund budgets.

ALAMEDA COUNTY OFFICE OF EDUCATION

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2009	\$ -	\$ 5,858,300	\$ 5,858,300	0%	\$ 23,878,700	25%
July 1, 2011	-	6,533,000	6,533,000	0%	19,958,300	33%
July 1, 2013	-	6,346,600	6,346,600	0%	21,714,028	29%

ALAMEDA COUNTY OFFICE OF EDUCATION

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
ACOE's proportion of the net pension liability	<u>0.0186%</u>
ACOE's proportionate share of the net pension liability	\$ 10,890,201
State's proportionate share of the net pension liability associated with the ACOE	<u>6,575,974</u>
Total	<u>\$ 17,466,175</u>
ACOE's covered - employee payroll	<u>\$ 8,196,697</u>
ACOE's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>132.86%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
CalPERS	
ACOE's proportion of the net pension liability	<u>0.1463%</u>
ACOE's proportionate share of the net pension liability	<u>\$ 16,608,098</u>
ACOE's covered - employee payroll	<u>\$ 13,707,255</u>
ACOE's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>121.16%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

ALAMEDA COUNTY OFFICE OF EDUCATION

**SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 735,739
Contributions in relation to the contractually required contribution	<u>735,739</u>
Contribution deficiency (excess)	<u>\$ -</u>
 ACOE's covered - employee payroll	 <u>\$ 8,295,513</u>
 Contributions as a percentage of covered - employee payroll	 <u>8.87%</u>
 CalPERS	
Contractually required contribution	\$ 1,579,454
Contributions in relation to the contractually required contribution	<u>1,579,454</u>
Contribution deficiency (excess)	<u>\$ -</u>
 ACOE's covered - employee payroll	 <u>\$ 13,418,515</u>
 Contributions as a percentage of covered - employee payroll	 <u>11.77%</u>

SUPPLEMENTARY INFORMATION

ALAMEDA COUNTY OFFICE OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education:			
Fund for the Improvement of Education - Routine for Health	84.215F	215F130160-14	\$ 629,966
Instructional Innovation: School transformations through arts	84.351D	N/A	255,348
Teacher Action Research Initiative:			
MSS Teacher Action Research Initiative	84.351C	N/A	89,215
Passed Through California Department of Education			
NCLB-Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	1,002,334
NCLB-Title I, Part A, Basic School Support, Statewide System of School Support	84.010	14416	959,189
NCLB-Title I, Part D, Subpart 2, Local Delinquent Programs	84.010	14357	757,384
Safe and Supportive Programmatic	CN120035 [1]	[2]	161,918
Title II, Part A, Improving Teacher Quality	84.367	14341	6,168
California Mathematics and Science Partnership Program	84.366B	14512	
Title IV, 21st Century Community Learning Centers Technical Assistance	84.287C	14603/14535	440,464
Indian Education	84.060	10011	43,951
CARS Net	84.282N	[2]	4,083
Passed Through Tri-Valley SELPA			
IDEA Special Education Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	152,575
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	20,512
Early Intervention Programs, Part C	84.181	23761	45,758
Total U.S. Department of Education			<u>4,568,865</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition School Programs	10.553	13390	66,406
Fresh Meal @ Schools	10.560	[2]	358,561
National School Lunch Program Equipment Assistance Grant	10.579	14906	23,200
State Nutrition Assistance Program - Nutrition Network	10.560	[2]	175,704
Total U.S. Department of Agriculture			<u>623,871</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	6,423
Medi-Cal Administrative	93.778	10060	83,708
Total U.S. Department of Health and Human Services			<u>90,131</u>
Total Expenditures of Federal Awards			<u>\$ 5,282,867</u>

[1] Catalog number not available

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

The Alameda County Office of Education (ACOE) provides support services to 18 local school districts, 4 regional occupational center/program joint powers agencies, and 3 community college districts within the Alameda County. In addition, the County Office operates Opportunity school, Court and Community Schools the County. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Marlon McWilson	President	2016
Aisha Knowles	Vice President	2018
Yvonne Cerrato	Member	2018
Ken Berrick	Member	2016
Eileen McDonald	Member	2016
Fred Sims	Member	2016
Joaquin Rivera	Member	2018

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Karen Monroe	Superintendent
Michele Hunton	Associate Superintendent, Business Services
Movetia Salter	Chief Human Resources Officer
Leigh Ann Blessing	Executive Director, Internal Business Services

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
JUNE 30, 2015**

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Juvenile halls, homes, and camps	6	7
Probation referred, on probation or parole, expelled	5	7
Total Elementary	11	14
SECONDARY		
Juvenile halls, homes, and camps	214	216
Probation referred, on probation or parole, expelled	251	244
Total Secondary	466	460
Total ADA	476	474

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

Summarized below are the long-term liabilities reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Form Debt</u>
FORM DEBT	
Total liabilities, June 30, 2015, Unaudited Actuals	\$ 2,540,787
Increase in:	
Net OPEB liabilities	<u>(60,955)</u>
Total liabilities, June 30, 2015, Audited Financial Statement	<u>\$ 2,479,832</u>

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget) 2016 ¹	2015	2014	2013
COUNTY SCHOOL SERVICE ³				
Revenues	\$ 39,048,431	\$ 39,804,344	\$ 40,209,410	\$ 42,532,804
Total Revenues and Other Sources	39,048,431	39,804,344	40,209,410	42,532,804
Expenditures	42,144,525	39,153,723	40,088,864	41,725,534
Other uses and transfers out	140,000	397,267	251,202	488,466
Total Expenditures and Other Uses	42,284,525	39,550,990	40,340,066	42,214,000
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,236,094)	\$ 253,354	\$ (130,656)	\$ 318,804
ENDING FUND BALANCE	\$ 26,077,574	\$ 29,313,668	\$ 29,060,314	\$ 29,190,970
AVAILABLE RESERVES ²	\$ 3,191,501	\$ 2,832,586	\$ 2,832,586	\$ 2,508,525
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	7.55%	7.16%	7.02%	6.00%
LONG-TERM OBLIGATIONS	Not Available	\$ 2,479,832	\$ 1,976,002	\$ 1,540,683
AVERAGE DAILY ATTENDANCE AT P ANNUAL	488	474	553	575

The County School Service Fund balance has increased by \$122,698 over the past two years. The fiscal year 2015-2016 budget projects a decrease of \$3,236,094 (11 percent). For a county office this size, the State recommends available reserves of at least 3 percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County Office has incurred operating surplus in two of the past three years and anticipates incurring an operating deficit during the 2015-2016 fiscal year. Total long-term obligations have increased by \$939,149 over the past two years.

Average daily attendance has decreased by 101 over the past two years. ACOE is anticipating a growth of 14 ADA during fiscal year 2015-2016.

¹ Budget 2016 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund.

³ County School Service Fund amounts include activity related to the consolidation of the Fund 17 as required by GASB Statement No. 54.

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Name of Charter School</u>	<u>Included/Not Included in the Audit Report</u>
Community School for Creative Education	Not Included
Yu Ming Charter School	Not Included
Aspire California College Prep Academy	Not Included
FAME Charter School	Not Included
Cox Academy	Not Included
Envisions Academy for Arts & Technology	Not Included
Lazear Charter Academy	Not Included
Urban Montessori Charter	Not Included

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015**

	Deferred Maintenance Fund	Building Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	\$ 2,579,518	\$ 2,328,289	\$ 807,800	\$ 5,715,607
Receivables	1,614	1,455	505	3,574
Total Assets	\$ 2,581,132	\$ 2,329,744	\$ 808,305	\$ 5,719,181
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 81	\$ 81
Total Liabilities	-	-	81	81
Fund Balances:				
Committed	2,581,132	2,329,744	808,224	5,719,100
Total Fund Balances	2,581,132	2,329,744	808,224	5,719,100
Total Liabilities and Fund Balances	\$ 2,581,132	\$ 2,329,744	\$ 808,305	\$ 5,719,181

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

**NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2015**

	Deferred Maintenance Fund	Building Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES				
Other local sources	\$ 7,763	\$ 6,868	\$ 2,383	\$ 17,014
Total Revenues	<u>7,763</u>	<u>6,868</u>	<u>2,383</u>	<u>17,014</u>
EXPENDITURES				
Current				
Plant services	39,325	-	-	39,325
Facility acquisition and construction	61,246	-	-	61,246
Total Expenditures	<u>100,571</u>	<u>-</u>	<u>-</u>	<u>100,571</u>
NET CHANGE IN FUND BALANCES	(92,808)	6,868	2,383	(83,557)
Fund Balance - Beginning	<u>2,673,940</u>	<u>2,322,876</u>	<u>805,841</u>	<u>5,802,657</u>
Fund Balance - Ending	<u>\$ 2,581,132</u>	<u>\$2,329,744</u>	<u>\$ 808,224</u>	<u>\$ 5,719,100</u>

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the COE and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Subrecipients

Of the Federal expenditures presented in the schedule, the COE provided Federal awards to subrecipients as follows:

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Amount Provided to Subrecipients
Title I, Basic School Support	84.010	\$ 225,391
		<u>\$ 225,391</u>

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTE TO SUPPLEMENTARY INFORMATION (Continued) **JUNE 30, 2015**

Local Education Agency Organization Structure

This schedule provides information about the County Office's boundaries and school districts served, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITORS' REPORTS



**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***

Governing Board
Alameda County Office of Education
Hayward, 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 Alameda County Office of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Alameda County Office of Education's basic financial statements, and have issued our report thereon dated December 9, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, ACOE adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alameda County Office of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alameda County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Alameda County Office of Education's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Alameda County Office of Education in a separate letter dated December 9, 2015.

Alameda County Office of Education's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ACOE'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 ACOE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Alameda County Office of Education
Hayward, California

Report on Compliance for Each Major Federal Program

We have audited Alameda County Office of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Alameda County Office of Education major Federal programs for the year ended June 30, 2015. Alameda County Office of Education's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alameda County Office of Education's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Alameda County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Alameda County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Alameda County Office of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alameda County Office of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alameda County Office of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2015



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Alameda County Office of Education
Hayward, California

Report on State Compliance

We have audited Alameda County Office of Education's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the *Alameda County Office of Education's* State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Alameda County Office of Education's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Alameda 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 opinions. Our audit does not provide a legal determination of Alameda County Office of Education's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Alameda County Office of Education complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

ACOE is not subject to Kindergarten Continuance, Instructional Time, Ratio of Administrative Employees to Teachers, Classroom Salaries, and K-3 Grade Span Adjustment compliance; therefore, these compliance requirements were not applicable to ACOE.

ACOE does not offer Continuation Education, Early Retirement Incentive, Middle or Earlier College High Schools, Transportation Maintenance Effort, Regional Occupational Centers or Programs Maintenance Effort, Adult Education Maintenance Effort, After School Education and Safety Program, and Charter Schools; therefore, we did not perform procedures related to these programs.

ACOE did not incurred any expenditures for the California Clean Energy Job Act program during the year, therefore, these compliance procedures were not performed.

Vavrinek, Time, Day & Co., LLP

Pleasanton, California
December 9, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALAMEDA COUNTY OFFICE OF EDUCATION

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.215F</u>	<u>Fund for the Improvement of Education - Routine for Health</u>
<u>84,287C</u>	<u>Title IV, 21st Century Community Learning Center Technical Assistance</u>
<u>10.560</u>	<u>Fresh Meal at Schools</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2015-001 Internal Control - (30000)

Criteria or Specific Requirements

Education Code Section 8483.9(a) indicates that an ASES grantee may expend no more than the lesser of the District's indirect cost rate as determined by the CDE for each fiscal year or 5% of the state program funding received.

Condition

ASES - Technical Assistance program charged 7.32% or \$60,847 of indirect costs to the program.

Questioned costs

\$19,283 which represents the difference between 7.32% of expenditures and 5% of expenditures.

Context

We noted this during our audit of categorical expenditures.

Effect

Charged too much in indirect costs to the ASES-Technical Assistance Program.

Cause

Alameda County Office of Education (ACOE) staff didn't adequately review the expenditures charged to the grant prior to the close of the books.

Recommendation

ACOE should perform an overall review of indirect costs charged to each of its restricted resources to verify that the indirect costs are appropriate.

Corrective Action Plan

ACOE has since hired two Budget Analyst/Accountant (BA) who will be solely responsible for the tracking, maintenance and management of each respective program administered by ACOE. The Internal Business Services team now meets regularly to discuss each BA's accounts in an attempt to locate and correct any non compliance transactions.

ALAMEDA COUNTY OFFICE OF EDUCATION

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ALAMEDA COUNTY OFFICE OF EDUCATION

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None reported.

ALAMEDA COUNTY OFFICE OF EDUCATION

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

There were no audit findings reported in the prior year's schedule of financial statement findings.



To the Board and Management
Alameda County Office of Education
Hayward, California

In planning and performing our audit of the financial statements of Alameda County Office of Education as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Alameda County Office of Education's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 ACOE's internal control. Accordingly, we do not express an opinion on the effectiveness of the COE's internal control.

However, during our audit we noted several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated December 9, 2015, on the financial statements of Alameda County Office of Education (ACOE).

Accounts Receivable

During our audit of accounts receivable we requested a detail of individual transactions that support the general ledger balance by fund but it was not provided due to that the accounting system does not have the appropriate modules to generate the accounts receivable subsidiary ledgers or similar reports. We did receive a Summary by Resource which revealed that there were un-cleared beginning balances included in the current year accounts receivable.

Recommendation

In order to effectively track accounts receivable activities and balances, ACOE should maintain an accounts receivable aged report or similar report that will allow for efficient tracking of account balances and activity. Additionally, ACOE should periodically review the accounts receivable transactions or similar reports for unusual items. Amounts that are over a year old should be researched and assessed for collectability.

Cash Receipts

As noted in the prior year that when cash receipts are entered into the Deposit Management module in the Digital School system, a Deposit Report is automatically created and sent off for approval. However, the system automatically posts the transactions prior to receiving the notification of approvals.

Recommendation

In order to strengthen the internal controls over financial reporting, we recommend that ACOE investigate the automatic electronic approval of cash postings and consider setting appropriate system controls as necessary to mitigate unauthorized transactions.

Journal Entries

We noted that journal entries prepared and posted to the general ledger system do not always have evidence of review and approvals.

Recommendation

Journal entries directly impact the organization's financial information. In order to mitigate any inappropriate posting of transactions, we recommend that ACOE designate appropriate individuals to review and approve all journal entries prior to posting to the general ledger system. Such review and approval should be documented.

SUMMARY OF PRIOR YEAR COMMENTS

Capital Assets - WIP

We noted ACOE has Work-In-Progress (WIP) projects in the amount of approximately \$27,000 outstanding for the past 2 years. It was not clear whether the project was completed or if there is a plan to complete it.

Recommendation

According to generally accepted accounting principles, capital projects completed and in use should be reclassified from WIP and be depreciated over the economic life of the asset. We recommend that ACOE investigate the status and of project so that appropriate accounting treatment can be applied to this amount.

Current Year Status

Implemented.

Vacation Accrual

Per the ACOE employees' bargaining unit agreements, management employees may not carry over more than twenty-seven (27) vacation days and classified employees may not carry over twenty (20) vacation days. We noted 23 employees had vacation accrual exceeded 27 days at June 30, 2014.

Recommendation

The ACOE's total vacation liabilities amounted to \$741,611 at June 30, 2014. In order to protect ACOE's interest and limit its potential liabilities, we recommend that ACOE consider implementing procedures necessary to be in compliance with its vacation policy.

Current Year Status

Implemented.

Cash Receipts

ACOE switched its financial system from Escape to Digital School during the year. We noted that when posting the cash receipts to the Deposit Management module, a Deposit Report is automatically created and sent off for approval. However, we noted that the system posts the transactions prior to receiving the notification of approvals.

Recommendation

In order to strengthen the internal controls over financial reporting, we recommend that ACOE investigate the automatic electronic approval of cash postings and consider setting appropriate system controls as necessary to mitigate unauthorized transactions.

Current Year Status

Not implemented, see current year comment.

This communication is intended solely for the information and use of management, governing board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek, Time, Day & Co., LLP

Pleasanton California
December 9, 2015