

February 28, 2022

To the Superintendent of Schools and the Governing Board
San Luis Obispo County Office of Education
San Luis Obispo, California

We have audited the financial statements of San Luis Obispo County Office of Education (the County) as of and for the year ended June 30, 2021, and have issued our report thereon dated February 28, 2022. Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our engagement letter dated May 14, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the County's major federal program. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

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

Our responsibility, as prescribed by professional standards as it relates to the audit of the County's major federal program compliance, is to express an opinion on the compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County's internal control over compliance.

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated February 28, 2022. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated February 28, 2022.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. As described in Notes 1 and 15 to the financial statements, the County changed accounting policies related to accounting for fiduciary activities to adopt the provisions of GASB Statement No. 84, Fiduciary Activities. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements were:

Governmental Accounting Standards Board (GASB) requires the County to calculate, recognize, and report the costs and obligations associated with pensions in their financial statements. These amounts were all based on the County's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which were actuarially determined; utilizing projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the CalSTRS and CalPERS audited financial statements. The County's proportionate share was determined by calculating the County's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

Management's estimate of the Net OPEB liability, related deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on a calculation of actuarially determined contributions for health insurance benefits.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements relate to Net Other Postemployment Benefits (OPEB) Liability and Plan (Note 10) and the Employee Retirement Systems (Note 13).

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no corrected misstatements.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated February 28, 2022.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Baily" connected, and "LLP" in a smaller, separate section.

Rancho Cucamonga, California



Financial Statements

June 30, 2021

**San Luis Obispo County Office of
Education**

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Independent Auditor's Report

To the Governing Board
San Luis Obispo County Office of Education
San Luis Obispo, 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 San Luis Obispo County Office of Education (the County) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Luis Obispo County Office of Education, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, and other required supplementary information on pages 52 through 58, 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 San Luis Obispo County Office of Education's financial statements. The non-major governmental fund financial statements, schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2022 on our consideration of San Luis Obispo County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Luis Obispo County Office of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Luis Obispo County Office of Education's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Baily" connected, and "LLP" in a smaller, separate section.

Rancho Cucamonga, California

February 28, 2022

This section of San Luis Obispo County Office of Education's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2021, with comparative information from the fiscal year ending June 30, 2020. Please read it in conjunction with the County's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the County using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

- The Governmental Activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- The Fiduciary Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the San Luis Obispo County Office of Education.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the County as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the County using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. 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 the County's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position will serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other factors to consider are changes in the County's property tax base and the condition of the County's facilities.

The relationship between revenues and expenses is the County's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the County. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the County's activities as follows:

Governmental Activities - Most of the County's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants finance these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE COUNTY AS A TRUSTEE

Reporting the County Fiduciary Responsibilities

The County is the trustee, or fiduciary, for funds held on behalf of others, like our funds for the payroll and warrant revolving activity. The County's fiduciary activities are reported in the *Statement of Net Position – Fiduciary Funds* and *Statement of Changes in Net Position – Fiduciary Funds*. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- The County's financial status has increased. Total net position increased \$2,623,252 or 134.30% over the course of the year.
- Overall revenues were \$55,645,559, which is \$2,623,252 more than expenditures.
- The County decreased its capital assets \$1,161,463 or 5.52%.
- The County increased its outstanding long-term obligations \$1,256,720 or 4.01%.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$4,576,514 for the fiscal year ended June 30, 2021. Of this amount, \$(20,245,152) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the County's governmental activities.

San Luis Obispo County Office of Education
 Management's Discussion and Analysis
 June 30, 2021

Table 1

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	\$ 31,754,243	\$ 26,106,172
Non-current assets	3,037,842	3,268,649
Capital assets	<u>19,882,117</u>	<u>21,043,580</u>
Total assets	<u>54,674,202</u>	<u>50,418,401</u>
Deferred outflows of resources	<u>4,305,924</u>	<u>5,070,975</u>
Liabilities		
Current liabilities	19,542,490	19,201,812
Long-term liabilities	<u>32,619,606</u>	<u>31,362,886</u>
Total liabilities	<u>52,162,096</u>	<u>50,564,698</u>
Deferred inflows of resources	<u>2,241,516</u>	<u>2,971,416</u>
Net Position		
Net investment in capital assets	19,882,117	21,022,580
Restricted	4,939,549	2,350,044
Unrestricted	<u>(20,245,152)</u>	<u>(21,419,362)</u>
Total net position	<u>\$ 4,576,514</u>	<u>\$ 1,953,262</u>

Changes in Net Position

The results of this year's operations for the County as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement of Activities, so you can see our total revenues for the year.

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was \$53,022,307. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$13,758,084, because the cost was paid by those who benefited from the programs (\$5,588,832), or by other governments and organizations who subsidized certain programs with grants and contributions (\$29,634,847). We paid for the remaining "public benefit" portion of our governmental activities with \$3,606,704 in Federal and State funds, and with other revenues \$3,057,092, like interest and general entitlements.

San Luis Obispo County Office of Education
Management's Discussion and Analysis
June 30, 2021

Table 2

	Governmental Activities	
	2021	2020
Revenues		
Program revenues		
Charges for services	\$ 5,588,832	\$ 5,917,797
Operating grants and contributions	29,634,847	22,454,300
General revenues		
Federal and State aid not restricted	3,606,704	2,275,626
Property taxes	13,758,084	12,067,228
Other general revenues	3,057,092	4,312,508
	<hr/>	<hr/>
Total revenues	55,645,559	47,027,459
Expenses		
Instruction-related	15,578,447	17,187,965
Pupil services	2,224,983	2,434,016
Administration	6,453,870	6,279,434
Plant services	2,566,263	4,344,115
Other	26,198,744	22,778,153
	<hr/>	<hr/>
Total expenses	53,022,307	53,023,683
Change in net position	<hr/>	<hr/>
	\$ 2,623,252	\$ (5,996,224)

Governmental Activities

In Table 3, we have presented the cost of each of the County's primary functions: instruction including, instruction-related activities, other pupil services, administration, plant services, and all other services, as well as each program's net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the County's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction	\$ 15,578,447	\$ 17,187,965	\$ (4,874,068)	\$ (7,222,220)
Pupil services	2,224,983	2,434,016	(698,377)	(695,868)
Administration	6,453,870	6,279,434	(4,751,899)	(4,926,025)
Plant services	2,566,263	4,344,115	(1,571,891)	(3,801,157)
All other services	26,198,744	22,778,153	(5,902,393)	(8,006,316)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 53,022,307	\$ 53,023,683	\$ (17,798,628)	\$ (24,651,586)

San Luis Obispo County Office of Education

Management's Discussion and Analysis

June 30, 2021

- The users of the County's programs financed some of the cost.
- The Federal and State governments subsidized many program costs with grants and contributions. The taxpayers of San Luis Obispo County supported the County and County programs with their property taxes. The County received a total of \$25,757,132 in property taxes of which \$13,437,650 transferred to San Luis Obispo County School District's and the County's Special Education Programs, leaving \$12,319,482 in reported property taxes. Part of these taxes is used to support County Alternative Education programs. Another portion is used for the operations of the County Office administration. The balance, in the amount of \$6,185,892 is considered excess property taxes and is reserved until the following year; therefore, it is not spendable by Education Code Section 2558(e) "If the remainder determined pursuant to subdivision (c) is a negative amount, no state aid shall be distributed to that county superintendent of schools pursuant to subdivision (d), and an amount of funds of that county superintendent of schools equal to that negative amount shall be deemed restricted and not available for expenditure during the current fiscal year. In the next fiscal year, that amount shall be considered local property tax revenue for purposes of the operation of paragraph (1) of subdivision (c)".

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the fiscal year, our governmental funds reported a combined fund balance of \$12,211,753, which is an increase of \$5,307,393 from last year (Table 4).

Table 4

Governmental Funds	Balances and Activity			
	June 30, 2020	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
County School Service	\$ 6,529,049	\$ 35,487,302	\$ 30,828,749	\$ 11,187,602
Special Education Pass-Through	219,125	18,413,494	18,384,047	248,572
Non-Major Governmental	156,186	2,430,929	1,811,536	775,579
Total	\$ 6,904,360	\$ 56,331,725	\$ 51,024,332	\$ 12,211,753

The County maintains eight individual governmental funds. The County School Service Fund and the Special Education Pass-Through Fund are considered to be major funds. The County School Service Fund and the Special Education Pass-Through Fund information are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances on pages 14 and 16. Data from the other funds are combined and designated as non-major governmental funds.

County School Service Fund Budgetary Highlights (County School Service Fund Only)

Over the course of the year, the County revised the annual operating budget. These budget revisions are as follows:

- Local Control Funding Formula for COE's fully implemented.

- Changes made at the 1st Interim Budget Revision included:
 1. Increasing Property Tax revenues and Property Tax Transfers to SELPA
 2. State and Federal revenues and expenditures adjusted to reflect prior year carry-over amounts
 3. Adjusted PERS and STRS statutory benefit rates

- Changes made at the 2nd Interim Budget Revision included:
 1. Increasing Property Tax revenues and Property Tax Transfers to SELPA
 2. Revised revenues and expenditures to reflect one-time COVID-19 funding, and other restricted funding sources
 3. Revised salary and benefits to reflect negotiated increases

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the County had net \$19,882,117 in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease (including additions and depreciation) of \$1,161,463, or 5.52%, below last year.

Table 5

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 2,380,682	\$ 2,380,682
Buildings and improvements	16,846,013	17,914,743
Equipment	655,422	748,155
Total	\$ 19,882,117	\$ 21,043,580

Long-Term Liabilities

At the end of this year, the County had \$32,619,606 in long-term liabilities outstanding versus \$31,362,886 last year, an increase of 4.01%. Long-term liabilities at June 30, 2021, consisted of:

Table 6

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
Compensated absences	\$ 382,564	\$ 431,153
Child care facilities revolving fund loan	-	21,000
Net OPEB liability	9,005,417	8,913,202
Aggregate net pension liability	23,231,625	21,997,531
Total	\$ 32,619,606	\$ 31,362,886

FACTORS BEARING ON THE COUNTY'S FUTURE

At the time these financial statements were prepared and audited, the County was aware of the following existing circumstances that could significantly affect its financial health in the future:

1. Due to COVID-19, The County-wide enrollment for K-12 public schools is funded at 2019-20 P-2 ADA. It is anticipated that there will be a decline in subsequent years.
2. Due to COVID-19, County Community School ADA is funded at 2019-20 P-2 ADA. It is anticipated that there will be a decline in subsequent years.
3. Due to COVID-19, Juvenile Court School ADA 2019-20 P-2 ADA. It is anticipated that enrollment will increase in future years.
4. The Local Control Funding Formula (LCFF) brought about changes for the County.
 - The County Superintendent has additional responsibilities regarding oversight of the Local Control Accountability Plan (LCAP) prepared by each of the County's ten public school districts. LCAP's will be updated annually to reflect changes and progress.
 - The County will update its own LCAP for 2020-21 and 2021-22.
5. Redevelopment agency funds (RDA) used for facilities will slightly decrease.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Dr. Sheldon K. Smith, Assistant Superintendent, at (805) 782-7211 or by mail at the County's Business Office, 3350 Education Drive, San Luis Obispo, California 93405.

San Luis Obispo County Office of Education

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 12,522,543
Receivables	19,046,086
Prepaid items	185,614
Lease revenue receivable	3,037,842
Capital assets not depreciated	2,380,682
Capital assets, net of accumulated depreciation	<u>17,501,435</u>
 Total assets	 <u>54,674,202</u>
 Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	<u>4,305,924</u>
 Liabilities	
Overdrafts	390,386
Accounts payable	18,929,487
Unearned revenue	222,617
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due in more than one year	382,564
Other postemployment benefits (OPEB) liability	9,005,417
Aggregate net pension liability	<u>23,231,625</u>
 Total liabilities	 <u>52,162,096</u>
 Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	<u>2,241,516</u>
 Net Position	
Net investment in capital assets	19,882,117
Restricted for	
Educational programs	886,063
Other restrictions	4,053,486
Unrestricted	<u>(20,245,152)</u>
 Total net position	 <u>\$ 4,576,514</u>

San Luis Obispo County Office of Education
 Statement of Activities
 Year Ended June 30, 2021

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	\$ 6,648,740	\$ 1,193,970	\$ 4,477,772	\$ (976,998)	
Instruction-related activities					
Supervision of instruction	7,934,638	1,147,041	3,399,723	(3,387,874)	
Instructional library, media, and technology	105,657	-	114,823	9,166	
School site administration	889,412	76,558	294,492	(518,362)	
Pupil services					
Food services	69,567	-	207,750	138,183	
All other pupil services	2,155,416	112,087	1,206,769	(836,560)	
Administration					
Data processing	1,913,139	-	532,964	(1,380,175)	
All other administration	4,540,731	187,064	981,943	(3,371,724)	
Plant services	2,566,263	379,787	614,585	(1,571,891)	
Ancillary services	25,901	-	-	(25,901)	
Community services	1,514,567	26,574	1,370,969	(117,024)	
Enterprise services	7,223	-	-	(7,223)	
Other outgo	24,651,053	2,465,751	16,433,057	(5,752,245)	
Total governmental activities	\$ 53,022,307	\$ 5,588,832	\$ 29,634,847	(17,798,628)	
General Revenues and Subventions					
Property taxes, levied for general purposes				\$ 13,214,104	
Taxes levied for other specific purposes				543,980	
Federal and State aid not restricted to specific purposes				3,606,704	
Interest and investment earnings				149,049	
Interagency revenues				1,165,734	
Miscellaneous				1,742,309	
Subtotal, general revenues and subventions				20,421,880	
Change in Net Position				2,623,252	
Net Position - Beginning				1,953,262	
Net Position - Ending				\$ 4,576,514	

San Luis Obispo County Office of Education

Balance Sheet – Governmental Funds

June 30, 2021

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 11,907,109	\$ -	\$ 615,434	\$ 12,522,543
Receivables	7,887,644	10,734,270	424,172	19,046,086
Prepaid expenditures	185,614	-	-	185,614
Total assets	\$ 19,980,367	\$ 10,734,270	\$ 1,039,606	\$ 31,754,243
Liabilities and Fund Balances				
Liabilities				
Overdrafts	\$ -	\$ 390,386	\$ -	\$ 390,386
Accounts payable	8,570,148	10,095,312	264,027	18,929,487
Unearned revenue	222,617	-	-	222,617
Total liabilities	8,792,765	10,485,698	264,027	19,542,490
Fund Balances				
Nonspendable	211,089	-	-	211,089
Restricted	4,053,486	248,572	637,491	4,939,549
Assigned	5,581,476	-	138,088	5,719,564
Unassigned	1,341,551	-	-	1,341,551
Total fund balances	11,187,602	248,572	775,579	12,211,753
Total liabilities and fund balances	\$ 19,980,367	\$ 10,734,270	\$ 1,039,606	\$ 31,754,243

San Luis Obispo County Office of Education
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Funds \$ 12,211,753

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	\$ 41,045,532
Accumulated depreciation is	<u>(21,163,415)</u>

Net capital assets 19,882,117

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

4,305,924

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to Aggregate net pension liability.

(2,241,516)

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

(23,231,625)

The County's OPEB liability is not due and payable in the current period period, and is not reported as a liability in the funds.

(9,005,417)

Revenues relating to lease payments received for lease receivable were recognized on the modified accrual basis, but are not recognized on the accrual basis.

3,037,842

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of
 Compensated absences (vacations)

(382,564)

Total net position - governmental activities \$ 4,576,514

San Luis Obispo County Office of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 14,883,044	\$ -	\$ -	\$ 14,883,044
Federal sources	4,631,181	7,348,039	139,708	12,118,928
Other State sources	6,274,556	11,065,360	1,610,470	18,950,386
Other local sources	9,696,455	95	96,614	9,793,164
Total revenues	35,485,236	18,413,494	1,846,792	55,745,522
Expenditures				
Current				
Instruction	5,958,322	-	-	5,958,322
Instruction-related activities				
Supervision of instruction	7,413,668	-	-	7,413,668
Instructional library, media, and technology	81,436	-	-	81,436
School site administration	736,261	-	-	736,261
Pupil services				
Food services	30,229	-	28,281	58,510
All other pupil services	1,890,024	-	6,770	1,896,794
Administration				
Data processing	1,420,847	-	-	1,420,847
All other administration	4,211,524	-	118,726	4,330,250
Plant services	2,157,227	-	204,391	2,361,618
Ancillary services	24,698	-	-	24,698
Community services	37,845	-	1,412,035	1,449,880
Other outgo	6,255,301	18,384,047	11,705	24,651,053
Enterprise services	5,885	-	-	5,885
Facility acquisition and construction	345	-	27,562	27,907
Debt service				
Principal	21,000	-	-	21,000
Total expenditures	30,244,612	18,384,047	1,809,470	50,438,129
Excess (Deficiency) of Revenues Over Expenditures	5,240,624	29,447	37,322	5,307,393
Other Financing Sources (Uses)				
Transfers in	2,066	-	584,137	586,203
Transfers out	(584,137)	-	(2,066)	(586,203)
Net Financing Sources (Uses)	(582,071)	-	582,071	-
Net Change in Fund Balances	4,658,553	29,447	619,393	5,307,393
Fund Balance - Beginning	6,529,049	219,125	156,186	6,904,360
Fund Balance - Ending	\$ 11,187,602	\$ 248,572	\$ 775,579	\$ 12,211,753

San Luis Obispo County Office of Education

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 5,307,393

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 difference between capital outlays and depreciation expense.

Capital outlays	\$	78,583
Depreciation expense		<u>(1,240,046)</u>

Net expense adjustment (1,161,463)

Receipt of lease receivable is a revenue in the governmental funds, but it reduces lease receivable in the statement of net position. 230,807

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. 48,589

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. (1,730,859)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the net OPEB liability during the year. (92,215)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Child Care Facilities Revolving Fund Loan	\$	21,000
Change in net position of governmental activities		<u>\$ 2,623,252</u>

San Luis Obispo County Office of Education
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2021

	Custodial Funds
Assets	
Deposits and investments	<u>\$ 3,767,591</u>
Liabilities	
Due to other agencies	<u>\$ 3,767,591</u>

San Luis Obispo County Office of Education
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2021

	Custodial Funds
Additions	
Funds collected from others	<u>\$ 294,860,714</u>
Deductions	
Funds distributed to other agencies	<u>294,860,714</u>
Change in Net Position	-
Net Position - Beginning	<u> </u>
Net Position - Ending	<u>\$ </u>

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The San Luis Obispo County Office of Education (the County) was established in 1965 under the laws of the State of California. The County operates under a locally elected five-member Board form of government and provides services to ten districts and three joint power agencies (JPAs) as mandated by the State and/or Federal agencies. The County operates various education programs and supports the San Luis Obispo Special Education Local Plan Area (SELPA).

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For the County, this includes general operations, food service, and Special Education programs of the County.

Other Related Entities

Charter School The County has an approved charter for Grizzly Challenge Charter School pursuant to Education Code Section 47605.

For financial reporting purposes, the charter is not a component unit in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 39. The criterion that establishes financial accountability as a result of fiscal dependency was not met. Therefore, the charter is determined not to be a component unit and is not included as part of these financial statements.

The charter is subject to audit within the agreement. Audited financial statements are available from the charter organization.

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 District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County'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 all county offices of education. It is used to account for the ordinary operations of a county office of education. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the County School Service Fund, and accordingly have been combined with the County School Service Fund for presentation in these audited financial statements.

As a result, the County School Service Fund reflects an increase in the fund balance of \$2,091,658.

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

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.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the County's food service program (Education Code Sections 38091 and 38100).
- **Forest Reserve Fund (County Offices)** The Forest Reserve Fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (Education Code Section 2300; Government Code Section 29484).

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).

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the County and are not available to support the County's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for the assets held by the County under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the County's own programs. The County has no trust funds. Custodial funds are used to account for resources, not in a trust, that are held by the County for other parties outside the County's reporting entity. The County's custodial fund accounts for payroll and warrant revolving activity.

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.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues 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 County does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County. 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 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 purposes result from special revenue funds and the restrictions on their use.

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County.

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

Non-exchange transactions, in which the County 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

Investments

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

Prepaid Expenditures (Expenses)

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the County. The County maintains a capitalization threshold of \$5,000. The County 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.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 10 to 40 years; improvements, 10 to 40 years; equipment, 5 to 10 years.

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 column 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.

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the County's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 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 Liabilities

All payables, accrued liabilities, and long-term liabilities 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 liabilities of the 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 fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County reports deferred outflows of resources for pension related items. The deferred outflows related to pension are for contributions subsequent to measurement date, differences between projected and actual earnings on pension plan, change in proportions and differences between contributions and the County's proportionate share of contributions, differences between expected and actual experiences in the measurement of total pension liability and OPEB liability, and changes of assumptions.

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

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The County has no related obligations outstanding as of June 30, 2020. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County 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 \$4,939,549 is restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds 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 on the financial statements. Interfund transfers are eliminated in the governmental column 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.

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

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 San Luis Obispo bills and collects the taxes on behalf of the County. Local property tax revenues are recorded when received.

Change in Accounting Principles

Implementation of GASB Statement No. 84

As of July 1, 2020, the County adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 12,522,543
Fiduciary funds	<u>3,767,591</u>
Total deposits and investments	<u>\$ 16,290,134</u>

Deposits and investments as of June 30, 2021, consisted of the following:

Cash on hand and in banks	\$ 3,948,653
Cash in revolving	25,475
Investments	<u>12,316,006</u>
Total deposits and investments	<u>\$ 16,290,134</u>

Policies and Practices

The County 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.

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Investment in County Treasury - The County is considered to be an involuntary participant in an external investment pool as the County is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the County's investment in the pool is reported in the accompanying financial statements at amounts based upon the County's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Investment in the State Investment Pool - The County 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 County's investment in the pool is reported in the accompanying financial statements at amounts based upon the County's 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.

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. The County manages its exposure to interest rate risk by investing in the State and San Luis Obispo County Investment Pools.

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Information about the sensitivity of the fair values of the County's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the County's investment by maturity. Further adjustment to the fair market value was deemed immaterial and has not been posted to the financial statements of the County:

Weighted Average Maturity

The District 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	Reported Amount	Weighted Average Days To Maturity
Governmental Funds		
Local Agency Investment Fund (LAIF)	\$ 13,625	291
San Luis Obispo County Investment Pool	<u>12,302,381</u>	<u>476</u>
Total	<u>\$ 12,316,006</u>	

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. Presented below is the minimum rating required by the California Government Code, the County's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. The San Luis Obispo County Investment Pool was rated "AAAf/S1" by Fitch Ratings. The County's investment in the Local Agency Investment Pool is not required to be rated, nor has it been rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County 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 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, 2021, the County's bank balance of \$3,696,976 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the County.

San Luis Obispo County Office of Education

Notes to Financial Statements

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Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	County School Services Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 1,199,522	\$ 7,232,443	\$ 38,089	\$ 8,470,054
State Government				
LCFF apportionment	541,826	-	-	541,826
Categorical aid	4,811,378	3,501,827	221,607	8,534,812
Local Government				
Other local sources	<u>1,334,918</u>	<u>-</u>	<u>164,476</u>	<u>1,499,394</u>
Total	<u>\$ 7,887,644</u>	<u>\$ 10,734,270</u>	<u>\$ 424,172</u>	<u>\$ 19,046,086</u>

Note 4 - Lease Receivable

The County has entered into a lease agreement to lease facilities. Such agreements are, in substance, sales (capital assets) and are reported as lease receivable. The County's receivable on the lease agreement with options to sell is summarized below:

	Chalk Mountain Community School	Mesa View Community School	Total
Balance, July 1, 2020	\$ 1,257,419	\$ 2,011,230	\$ 3,268,649
Additions	-	-	-
Payments	<u>(96,725)</u>	<u>(134,082)</u>	<u>(230,807)</u>
Balance, July 1, 2021	<u>\$ 1,160,694</u>	<u>\$ 1,877,148</u>	<u>\$ 3,037,842</u>

The lease receivable have minimum lease receipts as follows:

Year Ending June 30,	Chalk Mountain Community School	Mesa View Community School
	Lease Payment	Lease Payment
2022	\$ 96,725	\$ 134,082
2023	96,725	134,082
2024	96,725	134,082
2025	96,725	134,082
2026	96,725	134,082
Thereafter	<u>677,069</u>	<u>1,206,738</u>
Present value of minimum lease receivable	<u>\$ 1,160,694</u>	<u>\$ 1,877,148</u>

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 2,380,682	\$ -	\$ -	\$ 2,380,682
Capital assets being depreciated				
Land improvements	1,185,626	-	-	1,185,626
Buildings and improvements	34,645,769	27,907	-	34,673,676
Furniture and equipment	2,754,872	50,676	-	2,805,548
Total capital assets being depreciated	38,586,267	78,583	-	38,664,850
Total capital assets	40,966,949	78,583	-	41,045,532
Accumulated depreciation				
Land improvements	(174,315)	(103,106)	-	(277,421)
Buildings and improvements	(17,742,337)	(993,531)	-	(18,735,868)
Furniture and equipment	(2,006,717)	(143,409)	-	(2,150,126)
Total accumulated depreciation	(19,923,369)	(1,240,046)	-	(21,163,415)
Governmental activities capital assets, net	\$ 21,043,580	\$ (1,161,463)	\$ -	\$ 19,882,117

Depreciation expense was charged to governmental functions as follows:

Governmental Activities			
Instruction		\$ 356,513	
Supervision of instruction		190,661	
Instructional library, media, and technology		24,221	
School site administration		88,881	
Food services		6,619	
All other pupil services		136,661	
Data processing		125,843	
All other administration		172,862	
Plant services		137,785	
Total depreciation expenses governmental activities		\$ 1,240,046	

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Notes to Financial Statements

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Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

The County School Service Fund transferred to the Child Development Non-Major Governmental Fund to support operations of the program.	\$ 500,000
The County School Service Fund transferred to the Cafeteria Non-Major Governmental Fund to cover costs.	24,137
The County School Service Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for project costs.	60,000
The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund for interest earned.	<u>2,066</u>
Total	<u>\$ 586,203</u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	County School Services Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,886,742	\$ -	\$ -	\$ 1,886,742
State LCFF apportionment	6,261,903	-	264,027	6,525,930
Salaries and benefits	421,503	-	-	421,503
Pass-through special education apportionment	-	10,095,312	-	10,095,312
Total	<u>\$ 8,570,148</u>	<u>\$ 10,095,312</u>	<u>\$ 264,027</u>	<u>\$ 18,929,487</u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2021, consisted of the following:

	County School Service Fund
Federal financial assistance	\$ 116,546
State categorical aid	106,071
Total	<u>\$ 222,617</u>

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

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

Summary

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Liabilities					
Compensated absences	\$ 431,153	\$ -	\$ (48,589)	\$ 382,564	\$ -
Child Care Facilities Revolving Fund Loans	<u>21,000</u>	<u>-</u>	<u>(21,000)</u>	<u>-</u>	<u>-</u>
Total	\$ 452,153	\$ -	\$ (69,589)	\$ 382,564	\$ -

Compensated absences will be paid by the County School Service Fund. The Child Care Facilities Revolving Fund loan was paid by the County School Service Fund.

Compensated Absences

Compensated absences (unpaid employee vacation) for the County at June 30, 2021, amounted to \$382,564.

Note 10 - Net Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the County reported net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	OPEB Expense
Retiree Health Plan	\$ 8,933,572	\$ 83,766
Medicare Premium Payment (MPP) Program	<u>71,845</u>	<u>8,449</u>
Total	\$ 9,005,417	\$ 92,215

The details of each plan are as follows:

County Plan

Plan Administration

The County's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75.

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	<u>60</u>
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Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The County's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the County are established and may be amended by the County, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the County, TEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2021, the County paid \$233,453 in benefits.

Total OPEB Liability of the County

The County's total OPEB liability of \$8,933,572 was measured as of June 30, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

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

San Luis Obispo County Office of Education

Notes to Financial Statements

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The actual assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2020	<u>\$ 8,849,806</u>
Interest	232,300
Differences between expected and actual experience	479,328
Changes of assumptions	(394,409)
Benefit payments	(233,453)
Net change in total OPEB liability	<u>83,766</u>
Balance, June 30, 2021	<u>\$ 8,933,572</u>

Changes of assumptions reflect a change in the discount rate from 2.66% in 2020 to 2.16% in 2021

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB 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>Total OPEB Liability</u>
1% decrease (1.16%)	\$ 9,875,432
Current discount rate (2.16%)	8,933,572
1% increase (3.16%)	8,132,935

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.00%)	\$ 8,138,967
Current healthcare cost trend rate (4.00%)	8,933,572
1% increase (5.00%)	9,847,833

OPEB Expense

For the year ended June 30, 2021, the County recognized OPEB expense of \$83,766.

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Notes to Financial Statements

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Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California Education Code Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2021, the County reported a liability of \$63,396 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0170% and 0.0170%, resulting in no change in the proportionate share.

For the year ended June 30, 2021, the County recognized OPEB expense of \$8,449.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	July 1, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 294 or an average of 0.18% of the potentially eligible population (159,339).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2020, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020, is 2.21%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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

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

Discount Rate	Net OPEB Liability
1% decrease (1.21%)	\$ 79,444
Current discount rate (2.21%)	71,845
1% increase (3.21%)	65,378

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Cost Trend Rates

The following presents the County's proportionate share of the net OPEB liability calculated using the current Medicare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a Medicare cost trend rate that is one percent lower or higher than the current rate:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.5% Part A and 4.4% Part B)	\$ 65,144
Current Medicare costs trend rate (4.5% Part A and 5.4% Part B)	71,845
1% increase (5.5% Part A and 6.4% Part B)	79,558

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Notes to Financial Statements

June 30, 2021

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 25,475	\$ -	\$ -	\$ 25,475
Prepaid expenditures	185,614	-	-	185,614
Total nonspendable	<u>211,089</u>	<u>-</u>	<u>-</u>	<u>211,089</u>
Restricted				
Legally restricted programs	<u>4,053,486</u>	<u>248,572</u>	<u>637,491</u>	<u>4,939,549</u>
Assigned				
District contracts	55,243	-	-	55,243
Communication and media	90,631	-	-	90,631
Local solutions mini grants	117,807	-	-	117,807
Alternative education	837,735	-	-	837,735
Data processing	99,677	-	-	99,677
TIP/CASC	91,738	-	-	91,738
COE LCAP oversight	145,133	-	-	145,133
Differentiated assistance	1,581,708	-	-	1,581,708
CSI support	48,937	-	-	48,937
Future board actions	300,000	-	-	300,000
Cuesta CTE	39,535	-	-	39,535
Future fiscal oversight	50,000	-	-	50,000
Compensated absences payable	382,564	-	-	382,564
Unrestricted lottery	9,110	-	-	9,110
Countywide data processing upgrade	36,450	-	-	36,450
Other postemployment benefits	1,695,208	-	-	1,695,208
Capital outlay projects	-	-	138,088	138,088
Total assigned	<u>5,581,476</u>	<u>-</u>	<u>138,088</u>	<u>5,719,564</u>
Unassigned				
Reserve for economic uncertainties	<u>1,341,551</u>	<u>-</u>	<u>-</u>	<u>1,341,551</u>
Total	<u>\$ 11,187,602</u>	<u>\$ 248,572</u>	<u>\$ 775,579</u>	<u>\$ 12,211,753</u>

Note 12 - Risk Management

The County's risk management activities are recorded in the County School Service Fund. The County participates in three public entity risk pools (JPAs) for the workers' compensation programs, property and liability, health and welfare, and purchases excess liability coverage through the JPA. Refer to Note 14 for additional information regarding the JPAs.

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Notes to Financial Statements

June 30, 2021

Property and Liability

The County is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County's risk management activities are recorded in the County School Services Fund. In 1996, the Schools Insurance Program for Employees (SIPE) Board of Directors and Self-Insured Schools of Kern (SISK - now Self-Insured Schools of California - SISC) established an agreement for SIPE to provide property and liability loss control and safety services to member school districts.

Excess coverage is provided by Schools Insurance Program for Employees (SIPE) which the Self-Insured Schools of California (SISC II) administers with an in-house claims staff. SISC II is a joint powers authority created to provide services and other items necessary and appropriate for the establishment, operation, and maintenance for the public educational agencies which are parties thereto. Property coverage applies to all property of the insured including both real and personal property and including personal property of others. Real property and business personal property is insured to a limit of \$100,000,000 per occurrences, subject to the County's \$2,500 deductible feature. SISC II has a \$250,000 self-insured retention (SIR) over the deductible per occurrence.

SISC II under Memorandum of Coverage for commercial general liability provides \$1,500,000 limits over the County's \$1,000 deductible. Excess coverage is provided by private carrier to the level of \$48,500,000 in excess of \$1,500,000 limit per occurrence for a total of \$50,000,000. SISC II has a \$250,000 SIR over the deductible per occurrence.

Workers' Compensation

The County participates in the Schools Insurance Program for Employees, originally called the Self-Insurance Program for Employees (SIPE), for the purpose of providing the services necessary and appropriate for the development, operation, and maintenance of a self-insurance system for workers' compensation claims against the public educational agencies who are members. The County is self-insured for the first \$1 to a limit of \$349,999 of each workers' compensation claim. 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 JPA. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the JPA. The County utilizes Gregory B. Bragg & Associates, Inc. which is the third party administrator for the Schools of San Luis Obispo County SIPE whose members are self-insured for their workers' compensation claims.

The County also utilizes SISC as their claims carrier which covers claims excess of \$350,000 and up with no limit.

Note 13 - 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).

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

For the fiscal year ended June 30, 2021, the County reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 9,428,699	\$ 2,087,022	\$ 1,530,127	\$ 839,841
CalPERS	<u>13,802,926</u>	<u>2,218,902</u>	<u>711,389</u>	<u>2,400,420</u>
Total	<u>\$ 23,231,625</u>	<u>\$ 4,305,924</u>	<u>\$ 2,241,516</u>	<u>\$ 3,240,261</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The County 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, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:
<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

Contributions

Required County and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the County's total contributions were \$774,646.

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

At June 30, 2021, the County reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the County were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 9,428,699
State's proportionate share of the net pension liability	<u>4,860,495</u>
Total	<u>\$ 14,289,194</u>

The net pension liability was measured as of June 30, 2020. The County's proportion of the net pension liability was based on a projection of the County'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. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0097% and 0.0096%, resulting in a net increase in the proportionate share of 0.0001%.

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the County recognized pension expense of \$839,841. In addition, the County recognized pension expense and revenue of \$680,908 for support provided by the State. At June 30, 2021, the County 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	\$ 774,646	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	152,335	1,264,222
Differences between projected and actual earnings on pension plan investments	223,972	-
Differences between expected and actual experience in the measurement of the total pension liability	16,637	265,905
Changes of assumptions	<u>919,432</u>	<u>-</u>
 Total	 <u>\$ 2,087,022</u>	 <u>\$ 1,530,127</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (136,666)
2023	76,311
2024	152,250
2025	<u>132,077</u>
 Total	 <u>\$ 223,972</u>

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

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ (185,282)
2023	22,220
2024	78,752
2025	(234,972)
2026	(133,602)
Thereafter	<u>11,161</u>
 Total	 <u>\$ (441,723)</u>

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 14,245,450
Current discount rate (7.10%)	9,428,699
1% increase (8.10%)	5,451,792

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool 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 plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.700%	20.700%

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. The County 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, 2021, are presented above and the total County contributions were \$1,196,370.

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

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

As of June 30, 2021, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$13,802,926. The net pension liability was measured as of June 30, 2020. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The County's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively, was 0.0450% and 0.0457%, resulting in a net decrease in the proportionate share of 0.0007%.

For the year ended June 30, 2021, the County recognized pension expense of \$2,400,420. At June 30, 2021, the County 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	\$ 1,196,370	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	- -	711,389
Differences between projected and actual earnings on pension plan investments	287,334	-
Differences between expected and actual experience in the measurement of the total pension liability	684,582	-
Changes of assumptions	<u>50,616</u>	<u>-</u>
 Total	 <u>\$ 2,218,902</u>	 <u>\$ 711,389</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (107,525)
2023	95,910
2024	166,707
2025	<u>132,242</u>
 Total	 <u>\$ 287,334</u>

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2022	\$ 158,713
2023	(42,715)
2024	(83,399)
2025	(8,790)
Total	\$ 23,809

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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

San Luis Obispo County Office of Education

Notes to Financial Statements

June 30, 2021

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 19,844,223
Current discount rate (7.15%)	13,802,926
1% increase (8.15%)	8,788,952

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the County. These payments consist of State County School Service Fund contributions to CalSTRS in the amount of \$550,064 (10.328% 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.

Alternative Pension Plan

The County is a member of the Self-Insured Schools of California Defined Benefit Plan (SISC), which provides an alternative pension to County employees who do not meet the qualifications of the California Public Employees Retirement System (Government Code Section 20000 and following) or the California State Teachers' Retirement System (Education Code Section 22000 and following). This program is not administered by the California Public Employees Retirement System or the California State Teachers' Retirement System. The SISC Defined Benefit Plan contribution rate for the calendar year 2020 is 4.44%. The rate is applied to all wages paid between January 1 and December 31, 2020. The rate is significantly lower than the 6.2% Social Security rate.

Note 14 - Commitments and Contingencies

Grants

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at June 30, 2021.

Litigation

The County is involved in various litigation arising from the normal course of business.

Note 15 - Participation in Public Entity Risk Pools, Joint Power Authorities and Other Related Party Transactions

The County is a member of the Self-Insured Schools of California Health and Welfare Benefits Program (SISC), Self-Insured Schools of California Property and Liability Program (SISC II), and the Schools-Insurance Program for Employees (SIPE) joint powers authorities (JPAs). The County pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationship between the County and the JPAs are such that they are not component units of the County 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 County are included in these statements. Audited financial statements are generally available from the respective entities.

The County has appointed no board members to any of the governing boards of SISC, SISC II, or SIPE.

During the year ended June 30, 2021, the County made payments of \$2,620,972, \$100,689, and \$508,562, to SISC, SISC II, and SIPE, respectively.



Required Supplementary Information
June 30, 2021

**San Luis Obispo County Office of
Education**

San Luis Obispo County Office of Education
 Budgetary Comparison Schedule – County School Service Fund
 Year Ended June 30, 2021

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	
Revenues				
Local Control Funding Formula	\$ 13,055,067	\$ 14,299,496	\$ 14,883,044	\$ 583,548
Federal sources	3,455,412	7,882,661	4,631,181	(3,251,480)
Other State sources	5,231,315	6,802,670	6,274,556	(528,114)
Other local sources	7,643,330	9,396,115	9,696,455	300,340
Total revenues ¹	29,385,124	38,380,942	35,485,236	(2,895,706)
Expenditures				
Current				
Certificated salaries	4,805,311	5,137,907	5,012,420	125,487
Classified salaries	5,989,348	5,638,344	5,616,958	21,386
Employee benefits	4,707,563	5,084,844	4,997,249	87,595
Books and supplies	778,334	1,228,465	1,444,908	(216,443)
Services and operating expenditures	6,636,031	7,885,860	6,985,826	900,034
Other outgo	6,595,265	6,187,317	6,115,575	71,742
Capital outlay	124,000	-	50,676	(50,676)
Debt service				
Debt service - principal	21,000	21,000	21,000	-
Total expenditures ¹	29,656,852	31,183,737	30,244,612	939,125
Excess (Deficiency) of Revenues Over Expenditures				
	(271,728)	7,197,205	5,240,624	(1,956,581)
Other Financing Uses				
Transfers in	367,742	336,038	2,066	(333,972)
Transfers out	(344,421)	(77,550)	(584,137)	(506,587)
Net financing uses	23,321	258,488	(582,071)	(840,559)
Net Change in Fund Balances	(248,407)	7,455,693	4,658,553	(2,797,140)
Fund Balance - Beginning	6,529,049	6,529,049	6,529,049	-
Fund Balance - Ending	\$ 6,280,642	\$ 13,984,742	\$ 11,187,602	\$ (2,797,140)

¹ Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the County School Service Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final County School Service Fund budgets.

San Luis Obispo County Office of Education
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2021

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	
Revenues				
Federal sources	\$ 7,186,392	\$ 7,063,754	\$ 7,348,039	\$ 284,285
Other State sources	10,071,157	9,348,261	11,065,360	1,717,099
Other local sources	-		95	(95)
Total revenues	<u>17,257,549</u>	<u>16,412,015</u>	<u>18,413,494</u>	<u>2,001,289</u>
Expenditures				
Current				
Other outgo	<u>17,257,549</u>	<u>16,631,140</u>	<u>18,384,047</u>	<u>(1,752,907)</u>
Total expenditures	<u>17,257,549</u>	<u>16,631,140</u>	<u>18,384,047</u>	<u>(1,752,907)</u>
Net Change in Fund Balances	-	(219,125)	29,447	(248,572)
Fund Balance - Beginning	<u>219,125</u>	<u>219,125</u>	<u>219,125</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 219,125</u>	<u>\$ -</u>	<u>\$ 248,572</u>	<u>\$ 248,572</u>

San Luis Obispo County Office of Education
 Schedule of Changes in the County's Total OPEB Liability and Related Ratios
 Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Interest	\$ 232,300	\$ 268,022	\$ 314,991	\$ 320,457
Difference between expected and actual experience	479,328	-	(516,662)	-
Changes of assumptions	(394,409)	392,543	358,932	(89,794)
Benefit payments	<u>(233,453)</u>	<u>(638,785)</u>	<u>(657,950)</u>	<u>(654,317)</u>
Net change in total OPEB liability	83,766	21,780	(500,689)	(423,654)
Total OPEB Liability - Beginning	<u>8,849,806</u>	<u>8,828,026</u>	<u>9,328,715</u>	<u>9,752,369</u>
Total OPEB Liability - Ending	<u>\$ 8,933,572</u>	<u>\$ 8,849,806</u>	<u>\$ 8,828,026</u>	<u>\$ 9,328,715</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

San Luis Obispo County Office of Education
 Schedule of the County's Proportionate Share of the Net OPEB Liability – MPP Program
 Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0170%	0.0170%	0.0189%	0.0207%
Proportionate share of the net OPEB liability	\$ 71,845	\$ 63,396	\$ 72,423	\$ 87,034
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

San Luis Obispo County Office of Education
 Schedule of the County's Proportionate Share of the Net Pension Liability
 Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Proportion of the net pension liability	0.0097%	0.0096%	0.0105%	0.0114%	0.0111%	0.0115%	0.0133%
Proportionate share of the net pension liability	\$ 9,428,699	\$ 8,691,399	\$ 9,688,311	\$ 10,567,558	\$ 9,017,649	\$ 7,759,824	\$ 7,797,181
State's proportionate share of the net pension liability	4,860,495	4,741,739	5,547,011	6,251,678	5,133,587	4,104,092	4,708,275
Total	\$ 14,289,194	\$ 13,433,138	\$ 15,235,322	\$ 16,819,236	\$ 14,151,236	\$ 11,863,916	\$ 12,505,456
Covered payroll	\$ 5,463,310	\$ 4,688,372	\$ 6,122,855	\$ 5,967,552	\$ 5,190,224	\$ 5,165,890	\$ 5,560,280
Proportionate share of the net pension liability as a percentage of its covered payroll	172.58%	185.38%	158.23%	177.08%	173.74%	150.21%	140.23%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS							
Proportion of the net pension liability	0.0450%	0.0457%	0.0468%	0.0480%	0.0506%	0.0560%	0.0655%
Proportionate share of the net pension liability	\$ 13,802,926	\$ 13,306,132	\$ 12,484,253	\$ 11,467,243	\$ 9,997,830	\$ 8,248,932	\$ 7,433,258
Covered payroll	\$ 6,563,242	\$ 5,288,573	\$ 5,432,348	\$ 5,140,611	\$ 6,243,471	\$ 6,835,545	\$ 7,012,508
Proportionate share of the net pension liability as a percentage of its covered payroll	210.31%	251.60%	229.81%	223.07%	160.13%	120.68%	106.00%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

San Luis Obispo County Office of Education
 Schedule of the County Contributions
 Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
CalSTRS							
Contractually required contribution	\$ 774,646	\$ 934,226	\$ 763,267	\$ 883,528	\$ 750,718	\$ 556,911	\$ 458,731
Less contributions in relation to the contractually required contribution	<u>774,646</u>	<u>934,226</u>	<u>763,267</u>	<u>883,528</u>	<u>750,718</u>	<u>556,911</u>	<u>458,731</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	<u>\$ 4,796,570</u>	<u>\$ 5,463,310</u>	<u>\$ 4,688,372</u>	<u>\$ 6,122,855</u>	<u>\$ 5,967,552</u>	<u>\$ 5,190,224</u>	<u>\$ 5,165,890</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS							
Contractually required contribution	\$ 1,196,370	\$ 1,294,337	\$ 955,222	\$ 843,698	\$ 713,928	\$ 739,664	\$ 804,612
Less contributions in relation to the contractually required contribution	<u>1,196,370</u>	<u>1,294,337</u>	<u>955,222</u>	<u>843,698</u>	<u>713,928</u>	<u>739,664</u>	<u>804,612</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	<u>\$ 5,779,565</u>	<u>\$ 6,563,242</u>	<u>\$ 5,288,573</u>	<u>\$ 5,432,348</u>	<u>\$ 5,140,611</u>	<u>\$ 6,243,471</u>	<u>\$ 6,835,545</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Note 1 - Purpose of Schedules**Budgetary Comparison Schedule**

The County employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
Special Education Pass-Through Fund	\$ 16,631,140	\$ 18,384,047	\$ 1,752,907

Schedule of Changes in the County's Total OPEB Liability and Related Ratios

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

- *Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – Liability changes resulting from changes in assumptions in the discount rate from 2.66% in 2020 to 2.16% in 2021.

Schedule of the County's Proportionate Share of the Net OPEB Liability - MPP Program

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.50% to 2.21% since the previous valuation.

San Luis Obispo County Office of Education

Notes to Required Supplementary Information

June 30, 2021

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

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

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

Schedule of County Contributions

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



Supplementary Information

June 30, 2021

**San Luis Obispo County Office of
Education**

San Luis Obispo County Office of Education

Schedule of Expenditures of Federal Awards

June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through California Department of Education (CDE)				
Child Nutrition Cluster				
National School Lunch	10.555	13523	\$ 1,852	\$ -
Child and Adult Care Food Program	10.558	13393	2,791	-
Forest Service Schools and Roads Cluster				
Forest Reserve Funds	10.665	10044	13,770	-
Total U.S. Department of Agriculture			18,413	-
U.S. Department of Justice				
Passed Through CDE				
STOP School Violence	16.607	[1]	51,968	-
U.S. Department of Treasury				
Passed Through CDE				
COVID-19 Coronavirus Relief Fund (CRF)	21.019	25516	316,450	-
U.S. Department of Education				
Passed Through CDE				
Special Education Cluster (IDEA)				
Basic Local Assistance	84.027	13379	6,842,633	6,784,746
Mental Health	84.027A	15197	381,911	259,935
Preschool Grants	84.173	13430	343,960	303,358
Preschool Staff Development	84.173A	13431	287	-
Preschool Grants - Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	43,430	-
Total Special Education Cluster (IDEA)			7,612,221	7,348,039
Title I, Part A	84.010	14329	888,428	-
Title I, Part D	84.010	14357	55,588	-
School Improvement - Local Education Agency	84.010	15438	185,630	-
School Improvement - County Office of Education	84.010	15439	58,066	-
Subtotal			1,187,712	-
Migrant Education State Grant Program	84.011	14838	1,316,567	-
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	20,298	-
Title III, English Learner Student Program	84.365	14346	2,237	-
Title IV, Part A, Student Support and Academic Enrichment Grant	84.424	15396	59,856	-
Education for Homeless Children and Youth	84.196	14332	177,097	-
Special Education-Grants for Infants and Families	84.181	23761	62,152	-
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	68,350	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER I) Fund	84.425D	15536	662,150	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	15547	442,163	-
Subtotal			1,172,663	-
Total U.S. Department of Education			11,610,803	7,348,039
U.S. Department of Health and Human Services				
Passed Through CDE				
Child Care Development Fund Cluster				
Child Care and Development Block Grant	93.575	15443	81,053	-
Total Federal Financial Assistance			\$12,078,687	\$7,348,039

[1] Pass-through entity identifying number not available

San Luis Obispo County Office of Education

Local Education Agency Organization Structure

June 30, 2021

ORGANIZATION

The San Luis Obispo County Office of Education was established February 23, 1965, and consists of an area comprising all of San Luis Obispo County. The County operates 12 California State preschools, two First 5 preschools, four community schools, one juvenile court school, 15 special education classrooms, four special education centers, two independent skills classes, and one outdoor education school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Joel Peterson	President	2024
Diane A. Ward	Vice President	2024
George Galvan	Member	2022
Juan Olivarria	Member	2022
Paul Madonna	Member	2022

ADMINISTRATION

James J. Brescia	Superintendent
Dr. Sheldon Smith	Assistant Superintendent, Business Services
Thomas Alvarez	Chief Human Resources Officer

San Luis Obispo County Office of Education
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

San Luis Obispo County Office of Education
 Schedule of Financial Trends and Analysis
 Year Ended June 30, 2021

	(Budget)	2021	2020	2019
	2022 ¹			
County School Service Fund				
Revenues	\$ 29,388,956	\$ 35,485,236	\$ 31,644,149	\$ 35,348,280
Other sources	<u>152,000</u>	<u>2,066</u>	<u>2,174</u>	<u>12,880</u>
Total revenues and other sources	<u>29,540,956</u>	<u>35,487,302</u>	<u>31,646,323</u>	<u>35,361,160</u>
Expenditures	29,227,290	30,244,612	34,105,726	31,262,913
Other uses and transfers out	<u>428,011</u>	<u>584,137</u>	<u>418,574</u>	<u>423,356</u>
Total expenditures and other uses	<u>29,655,301</u>	<u>30,828,749</u>	<u>34,524,300</u>	<u>31,686,269</u>
Increase/(Decrease) in Fund Balance	(114,345)	4,658,553	(2,877,977)	3,674,891
Ending Fund Balance	<u>\$ 11,073,257</u>	<u>\$ 11,187,602</u>	<u>\$ 6,529,049</u>	<u>\$ 9,407,026</u>
Available Reserves ²	<u>\$ 1,385,044</u>	<u>\$ 1,341,551</u>	<u>\$ 1,208,887</u>	<u>\$ 1,255,778</u>
Available Reserves as a Percentage of Total Outgo	<u>4.67%</u>	<u>4.35%</u>	<u>3.50%</u>	<u>3.96%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 32,619,606</u>	<u>\$ 31,362,886</u>	<u>\$ 31,547,747</u>
K-12 Average Daily Attendance at P-2	<u>93</u>	<u>93</u>	<u>93</u>	<u>90</u>

The County School Service Fund balance has increased by \$1,780,576 over the past two years. The fiscal year 2021-2022 budget projects a further decrease of \$114,345 (1.02%). For a district this size, the State recommends available reserves of at least three percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$1,071,859 over the past two years.

Average daily attendance has increased by three over the past two years. No additional growth is anticipated during fiscal year 2021-2022.

¹ Budget 2022 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, the Special Reserve Fund for Other Than Capital Outlay Projects, and the Special Reserve Fund for Other Postemployment Benefits.

San Luis Obispo County Office of Education

Schedule of Charter Schools

Year Ended June 30, 2021

Name of Charter School	Charter Number	Included in Audit Report
Grizzly Challenge Charter School	0566	No

San Luis Obispo County Office of Education
 Combining Balance Sheet – Non-Major Governmental Funds
 June 30, 2021

	Child Development Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 475,387	\$ 1,959	\$ 138,088	\$ 615,434
Receivables	<u>422,628</u>	<u>1,544</u>	<u>-</u>	<u>424,172</u>
Total assets	<u>\$ 898,015</u>	<u>\$ 3,503</u>	<u>\$ 138,088</u>	<u>\$ 1,039,606</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 260,524	\$ 3,503	\$ -	\$ 264,027
Fund Balances				
Restricted	637,491	-	-	637,491
Assigned	<u>-</u>	<u>-</u>	<u>138,088</u>	<u>138,088</u>
Total fund balances	<u>637,491</u>	<u>-</u>	<u>138,088</u>	<u>775,579</u>
Total liabilities and fund balances	<u>\$ 898,015</u>	<u>\$ 3,503</u>	<u>\$ 138,088</u>	<u>\$ 1,039,606</u>

San Luis Obispo County Office of Education
 Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental
 Funds
 June 30, 2021

	Child Development Fund	Cafeteria Fund	Forest Reserve Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues					
Federal sources	\$ 124,085	\$ 1,852	\$ 13,771	\$ -	\$ 139,708
Other State sources	1,609,169	1,301	-	-	1,610,470
Other local sources	<u>95,545</u>	<u>(64)</u>	<u>-</u>	<u>1,133</u>	<u>96,614</u>
Total revenues	<u>1,828,799</u>	<u>3,089</u>	<u>13,771</u>	<u>1,133</u>	<u>1,846,792</u>
Expenditures					
Current					
Pupil services					
Food services	2,299	25,982	-	-	28,281
Administration					
All other administration	117,482	1,244	-	-	118,726
Plant services	204,391	-	-	-	204,391
Community services	1,412,035	-	-	-	1,412,035
Other outgo	-	-	11,705	-	11,705
Facility acquisition and construction	-	-	-	27,562	27,562
Total expenditures	<u>1,742,977</u>	<u>27,226</u>	<u>11,705</u>	<u>27,562</u>	<u>1,809,470</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>85,822</u>	<u>(24,137)</u>	<u>2,066</u>	<u>(26,429)</u>	<u>37,322</u>
Other Financing Sources (Uses)					
Transfers in	500,000	24,137	-	60,000	584,137
Transfers out	-	-	(2,066)	-	(2,066)
Net Financing Sources (Uses)	<u>500,000</u>	<u>24,137</u>	<u>(2,066)</u>	<u>60,000</u>	<u>582,071</u>
Net Change in Fund Balances	<u>585,822</u>	<u>-</u>	<u>-</u>	<u>33,571</u>	<u>619,393</u>
Fund Balance - Beginning	<u>51,669</u>	<u>-</u>	<u>-</u>	<u>104,517</u>	<u>156,186</u>
Fund Balance - Ending	<u>\$ 637,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,088</u>	<u>\$ 775,579</u>

Note 1 - Purpose of Schedules**Schedule of Expenditures of Federal Awards**Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the County under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, net position or fund balance, or cash flows of the County.

Summary of Significant Accounting Policies

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

Indirect Cost Rate

The County has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the County had no food commodities in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The COVID-19 Child Care and Development Block Grant funds have been recorded in the current period as revenues that have not been expended as of June 30, 2021. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Total Federal Revenues reported on the financial statements COVID-19 Child Care and Development Block Grant	93.575	\$ 12,118,928 <u>(40,241)</u>
Total Schedule of Expenditures of Federal Awards		\$ 12,078,687

Local Education Agency Organization Structure

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

San Luis Obispo County Office of Education

Notes to Supplementary Information

June 30, 2021

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's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the County'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 County, and displays information for each Charter School on whether or not the Charter School is included in the County 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 are 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 Auditor's Reports

June 30, 2021

**San Luis Obispo County Office of
Education**



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

To the Board of Directors
San Luis Obispo County Office of Education
San Luis Obispo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Luis Obispo County Office of Education, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise San Luis Obispo County Office of Education's basic financial statements and have issued our report thereon dated February 28, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is fluid and cursive, with "Eide" and "Bailly" connected, and "LLP" in a smaller, separate section.

Rancho Cucamonga, California

February 28, 2022



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

To the Board of Directors
San Luis Obispo County Office of Education
San Luis Obispo, California

Report on Compliance for the Major Federal Program

We have audited San Luis Obispo County Office of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on San Luis Obispo County Office of Education's major federal program for the year ended June 30, 2021. San Luis Obispo County Office of Education's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for San Luis Obispo County Office of Education's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Luis Obispo 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 the major federal program. However, our audit does not provide a legal determination of San Luis Obispo County Office of Education's compliance.

Opinion on the Major Federal Program

In our opinion, San Luis Obispo County Office of Education's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the of its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of San Luis Obispo 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 San Luis Obispo County Office of Education's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Luis Obispo County Office of Education's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Eddie Baily LCP". The signature is fluid and cursive, with "Eddie" and "Baily" connected, and "LCP" in a smaller, separate section.

Rancho Cucamonga, California
February 28, 2022



CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

To the Board of Directors
San Luis Obispo County Office of Education
San Luis Obispo, California

Report on State Compliance

We have audited San Luis Obispo County Office of Education's (the County) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the County's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	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
K-3 Grade Span Adjustment	No, see below
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

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

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

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

Classroom Teachers Salaries does not apply to the County; therefore, we did not perform procedures related to Classroom Teacher Salaries.

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

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

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

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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

The Charter School is independent of the County; therefore, we did not perform any procedures related to charter schools.

Unmodified Opinion

In our opinion, San Luis Obispo County Office of Education complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eddie Baily LCP". The signature is fluid and cursive, with "Eddie" and "Baily" connected, and "LCP" in a smaller, separate section.

Rancho Cucamonga, California
February 28, 2022



Schedule of Findings and Questioned Costs

June 30, 2021

**San Luis Obispo County Office of
Education**

San Luis Obispo County Office of Education
 Summary of Auditor's Results
 Year Ended June 30, 2021

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Title I, Part A	84.010
Migrant Education-State Grant Program	84.011
COVID-19 Education Stabilization Funds (ESF)	84.425C, 84.425D

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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San Luis Obispo County Office of Education
Financial Statement Findings
Year Ended June 30, 2021

None reported.

San Luis Obispo County Office of Education
Federal Awards Findings and Questioned Costs
Year Ended June 30, 2021

None reported.

San Luis Obispo County Office of Education
State Compliance Findings and Questioned Costs
Year Ended June 30, 2021

None reported.

San Luis Obispo County Office of Education
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.