

# NAPA COUNTY OFFICE OF EDUCATION

AUDIT REPORT  
JUNE 30, 2019



NAPA COUNTY OFFICE  
OF  
EDUCATION

**NAPA COUNTY OFFICE OF EDUCATION  
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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

Governing Board  
Napa County Office of Education  
Napa, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Napa County Office of Education, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Napa County Office of Education'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 Napa County Office of Education, as of June 30, 2019, 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability/(asset) and related ratios, schedules of proportionate share of net pension liability, and schedules of County Office of Education contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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 Matters (continued)**

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Napa County Office of Education's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 on our consideration of Napa County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Napa 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 Napa County Office of Education's internal control over financial reporting and compliance.

*Christy White, Inc.*

San Diego, California  
December 5, 2019

# NAPA COUNTY OFFICE OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

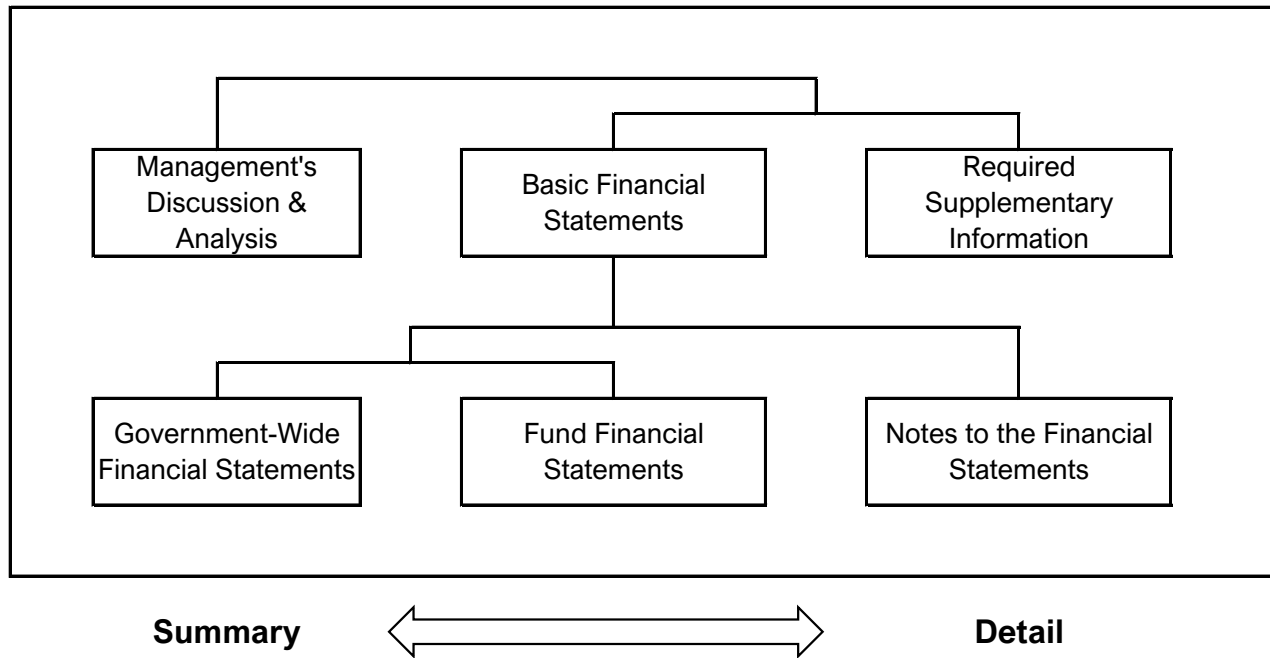
Our discussion and analysis of Napa County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the County Office of Education's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The County Office of Education's total net position was \$(3,591,211) at June 30, 2019. This was a decrease of \$967,392 from the prior year.
- Overall revenues were \$43,697,651 which were exceeded by expenses of \$44,665,043.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financials Section



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**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Components of the Financials Section (continued)**

This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the County Office of Education. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.
  
- ▶ **Fund financial statements** focus on reporting the individual parts of County Office of Education operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office of Education’s programs.
  
  - ▶ **Fiduciary Funds** report balances for which the County Office of Education is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

**Government-Wide Statements**

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

The two government-wide statements report the County Office of Education’s net position and how it has changed. Net position is one way to measure the County Office of Education’s financial health or position. Over time, increases or decreases in the County Office of Education’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the County Office of Education include governmental activities. All of the County Office of Education’s basic services are included here, such as regular education, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.



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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The County Office of Education's net position was \$(3,591,211) at June 30, 2019, as reflected in the table below. Of this amount, \$(9,453,805) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

|                                       | <b>Governmental Activities</b> |                       |                     |
|---------------------------------------|--------------------------------|-----------------------|---------------------|
|                                       | <b>2019</b>                    | <b>2018</b>           | <b>Net Change</b>   |
| <b>ASSETS</b>                         |                                |                       |                     |
| Current and other assets              | \$ 26,476,538                  | \$ 21,529,119         | \$ 4,947,419        |
| Capital assets                        | 5,880,704                      | 5,611,410             | 269,294             |
| <b>Total Assets</b>                   | <b>32,357,242</b>              | <b>27,140,529</b>     | <b>5,216,713</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> | <b>9,442,330</b>               | <b>9,651,218</b>      | <b>(208,888)</b>    |
| <b>LIABILITIES</b>                    |                                |                       |                     |
| Current liabilities                   | 9,135,558                      | 5,131,360             | 4,004,198           |
| Long-term liabilities                 | 35,021,742                     | 33,103,612            | 1,918,130           |
| <b>Total Liabilities</b>              | <b>44,157,300</b>              | <b>38,234,972</b>     | <b>5,922,328</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  | <b>1,233,483</b>               | <b>1,180,594</b>      | <b>52,889</b>       |
| <b>NET POSITION</b>                   |                                |                       |                     |
| Net investment in capital assets      | 3,560,704                      | 3,156,410             | 404,294             |
| Restricted                            | 2,301,890                      | 3,189,628             | (887,738)           |
| Unrestricted                          | (9,453,805)                    | (8,969,857)           | (483,948)           |
| <b>Total Net Position</b>             | <b>\$ (3,591,211)</b>          | <b>\$ (2,623,819)</b> | <b>\$ (967,392)</b> |

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the County Office of Education as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

|                                    | <b>Governmental Activities</b> |                       |                     |
|------------------------------------|--------------------------------|-----------------------|---------------------|
|                                    | <b>2019</b>                    | <b>2018</b>           | <b>Net Change</b>   |
| <b>REVENUES</b>                    |                                |                       |                     |
| Program revenues                   |                                |                       |                     |
| Charges for services               | \$ 6,515,461                   | \$ 6,397,800          | \$ 117,661          |
| Operating grants and contributions | 26,514,511                     | 26,132,152            | 382,359             |
| General revenues                   |                                |                       |                     |
| Property taxes                     | 7,201,733                      | 7,230,963             | (29,230)            |
| Unrestricted federal and state aid | 1,938,122                      | 1,562,721             | 375,401             |
| Other                              | 1,527,824                      | 1,182,770             | 345,054             |
| <b>Total Revenues</b>              | <b>43,697,651</b>              | <b>42,506,406</b>     | <b>1,191,245</b>    |
| <b>EXPENSES</b>                    |                                |                       |                     |
| Instruction                        | 12,402,203                     | 11,831,797            | 570,406             |
| Instruction-related services       | 14,231,841                     | 13,277,188            | 954,653             |
| Pupil services                     | 3,882,024                      | 3,489,128             | 392,896             |
| General administration             | 6,456,939                      | 5,668,403             | 788,536             |
| Plant services                     | 1,022,746                      | 1,211,943             | (189,197)           |
| Ancillary and community services   | 59,860                         | 54,346                | 5,514               |
| Debt service                       | 94,085                         | 99,104                | (5,019)             |
| Other outgo                        | 6,041,753                      | 4,964,834             | 1,076,919           |
| Depreciation                       | 414,032                        | 374,849               | 39,183              |
| Other                              | 59,560                         | 58,560                | 1,000               |
| <b>Total Expenses</b>              | <b>44,665,043</b>              | <b>41,030,152</b>     | <b>3,634,891</b>    |
| <b>Change in net position</b>      | <b>(967,392)</b>               | <b>1,476,254</b>      | <b>(2,443,646)</b>  |
| <b>Net Position - Beginning</b>    | <b>(2,623,819)</b>             | <b>(4,100,073)</b>    | <b>1,476,254</b>    |
| <b>Net Position - Ending</b>       | <b>\$ (3,591,211)</b>          | <b>\$ (2,623,819)</b> | <b>\$ (967,392)</b> |

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

The net cost of all our governmental activities this year was \$11,635,071 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$7,201,733 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions, charges for services, unrestricted federal and state aid, and miscellaneous revenues.

|                                  | <b>Net Cost of Services</b> |                     |
|----------------------------------|-----------------------------|---------------------|
|                                  | <b>2019</b>                 | <b>2018</b>         |
| Instruction                      | \$ 2,542,192                | \$ 1,433,682        |
| Instruction-related services     | 2,770,474                   | 2,082,785           |
| Pupil services                   | 578,259                     | 136,796             |
| General administration           | 4,257,587                   | 3,654,921           |
| Plant services                   | 638,598                     | 572,419             |
| Ancillary and community services | 6,515                       | 4,834               |
| Debt service                     | 94,085                      | 99,104              |
| Transfers to other agencies      | 275,054                     | 82,250              |
| Depreciation                     | 414,032                     | 374,849             |
| Other                            | 58,275                      | 58,560              |
| <b>Total Expenses</b>            | <b>\$ 11,635,071</b>        | <b>\$ 8,500,200</b> |

**FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION’S MAJOR FUNDS**

The financial performance of the County Office of Education as a whole is reflected in its governmental funds as well. As the County Office of Education completed this year, its governmental funds reported a combined fund balance of \$17,651,567, which is more than last year’s ending fund balance of \$16,744,020. The County Office of Education’s County School Services Fund had \$1,211,381 more in operating revenues than expenditures for the year ended June 30, 2019. The County Office of Education’s Special Education Pass-Through Fund had operating revenues equal to expenditures for the year ended June 30, 2019.

**CURRENT YEAR BUDGET 2018-2019**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the County Office of Education’s financial projections and current budget based on State and local financial information.

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**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

By the end of 2018-2019 the County Office of Education had invested \$5,880,704 in capital assets, net of accumulated depreciation.

|                             | <b>Governmental Activities</b> |                     |                   |
|-----------------------------|--------------------------------|---------------------|-------------------|
|                             | <b>2019</b>                    | <b>2018</b>         | <b>Net Change</b> |
| <b>CAPITAL ASSETS</b>       |                                |                     |                   |
| Construction in progress    | \$ 872,016                     | \$ 520,063          | \$ 351,953        |
| Land improvements           | 505,183                        | 504,463             | 720               |
| Buildings & improvements    | 8,936,949                      | 8,828,351           | 108,598           |
| Furniture & equipment       | 2,316,834                      | 2,120,832           | 196,002           |
| Accumulated depreciation    | (6,750,278)                    | (6,362,299)         | (387,979)         |
| <b>Total Capital Assets</b> | <b>\$ 5,880,704</b>            | <b>\$ 5,611,410</b> | <b>\$ 269,294</b> |

**Long-Term Liabilities**

At year-end, the County Office of Education had \$35,021,742 in long-term liabilities, an increase of 5.79% from last year – as shown in the table below. (More detailed information about the County Office of Education’s long-term liabilities is presented in footnotes to the financial statements.)

|  | <b>Governmental Activities</b> |                      |                     |
|--|--------------------------------|----------------------|---------------------|
|  | <b>2019</b>                    | <b>2018</b>          | <b>Net Change</b>   |
| <b>LONG-TERM LIABILITIES</b>                   |                                |                      |                     |
| Total certificates of participation            | \$ 2,320,000                   | \$ 2,455,000         | \$ (135,000)        |
| Compensated absences                           | 223,382                        | 203,385              | 19,997              |
| Net OPEB liability*                            | -                              | 56,113               | (56,113)            |
| Net pension liability                          | 32,841,742                     | 30,727,499           | 2,114,243           |
| Less: current portion of long-term liabilities | (363,382)                      | (338,385)            | (24,997)            |
| <b>Total Long-term Liabilities</b>             | <b>\$ 35,021,742</b>           | <b>\$ 33,103,612</b> | <b>\$ 1,918,130</b> |

\*As of June 30, 2019, the COE recognized a net OPEB asset in the amount of \$60,238.

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the County Office of Education was aware of several circumstances that could affect its future financial health.

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus \$3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school County Office of Education finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

While growth in Proposition 98 funding distributed through the LCFF has provided increased revenues to most school districts in the State in recent years, this is not the case for the County Office. Like many other county offices, the Napa County Office is in "hold harmless" status under LCFF, meaning the County Office's LCFF state entitlement funding level has been held constant at 2012-13 levels. This means that as expenses rise due to inflation and other factors the County Office cannot control (see pension note below), the County Office has three choices: 1) cut services over time, 2) find ways to maintain services with fewer staff and resources, or 3) find new sources of revenue to maintain services.

The County Office of Education participates in state employee pensions plans, PERS and STRS, and both are underfunded. The County Office of Education's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the County Office of Education. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

The County Office has significant facility needs, but unlike a school district, county offices cannot issue general obligation bonds to fund facility projects. Consequently, the County Office will need to use general fund reserves or issue Certificates of Participation backed by general fund revenues in order to complete necessary facility improvements.

All of these factors were considered in preparing the County Office of Education's budget for the 2019-20 fiscal year.

**CONTACTING THE COUNTY OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the County Office of Education's finances and to show the County Office of Education's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Joshua Schultz, Deputy Superintendent, Napa County Office of Education at (707) 253-6819.

**NAPA COUNTY OFFICE OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

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|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Cash and investments                            | \$ 12,379,448                      |
| Accounts receivable                             | 13,965,257                         |
| Prepaid expenses                                | 71,595                             |
| Net OPEB asset                                  | 60,238                             |
| Capital assets, not depreciated                 | 872,016                            |
| Capital assets, net of accumulated depreciation | 5,008,688                          |
| <b>Total Assets</b>                             | <b>32,357,242</b>                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                                    |
| Deferred outflows related to pensions           | 9,164,978                          |
| Deferred outflows related to OPEB               | 277,352                            |
| <b>Total Deferred Outflows of Resources</b>     | <b>9,442,330</b>                   |
| <b>LIABILITIES</b>                              |                                    |
| Deficit cash                                    | 76,765                             |
| Accrued liabilities                             | 6,916,146                          |
| Unearned revenue                                | 1,779,265                          |
| Long-term liabilities, current portion          | 363,382                            |
| Long-term liabilities, non-current portion      | 35,021,742                         |
| <b>Total Liabilities</b>                        | <b>44,157,300</b>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                                    |
| Deferred inflows related to pensions            | 1,205,352                          |
| Deferred inflows related to OPEB                | 28,131                             |
| <b>Total Deferred Inflows of Resources</b>      | <b>1,233,483</b>                   |
| <b>NET POSITION</b>                             |                                    |
| Net investment in capital assets                | 3,560,704                          |
| Restricted:                                     |                                    |
| Capital projects                                | 46,530                             |
| Educational programs                            | 1,899,685                          |
| All others                                      | 355,675                            |
| Unrestricted                                    | (9,453,805)                        |
| <b>Total Net Position</b>                       | <b>\$ (3,591,211)</b>              |

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

**NAPA COUNTY OFFICE OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

| Function/Programs  | Expenses             | Program Revenues        |  | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Position |
|--|----------------------|-------------------------|--|--|
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |
| <b>GOVERNMENTAL ACTIVITIES</b>                             |                      |                         |  |  |
| Instruction  | \$ 12,402,203        | \$ 2,400,905            | \$ 7,459,106                             | \$ (2,542,192)   |
| Instruction-related services                               |                      |                         |  |  |
| Instructional supervision and administration               | 13,975,630           | 1,286,668               | 10,144,742                               | (2,544,220)  |
| Instructional library, media, and technology               | 256,211              | 22,092                  | 7,865                                    | (226,254)  |
| Pupil services   |                      |                         |  |  |
| Home-to-school transportation                              | 183,045              | 121,634                 | 6,594                                    | (54,817)   |
| Food services  | 1,012,773            | 1,866                   | 862,746                                  | (148,161)  |
| All other pupil services                                   | 2,686,206            | 1,312,875               | 998,050                                  | (375,281)  |
| General administration                                     |                      |                         |  |  |
| Centralized data processing                                | 1,724,946            | -                       | 37,720                                   | (1,687,226)  |
| All other general administration                           | 4,731,993            | 492,857                 | 1,668,775                                | (2,570,361)  |
| Plant services   | 1,022,746            | 105,003                 | 279,145                                  | (638,598)  |
| Community services   | 59,860               | -                       | 53,345                                   | (6,515)  |
| Enterprise activities                                      | 59,560               | -                       | 1,285                                    | (58,275)   |
| Interest on long-term debt                                 | 94,085               | -                       | -  | (94,085)   |
| Other outgo  | 6,041,753            | 771,561                 | 4,995,138                                | (275,054)  |
| Depreciation (unallocated)                                 | 414,032              | -                       | -  | (414,032)  |
| <b>Total Governmental Activities</b>                       | <b>\$ 44,665,043</b> | <b>\$ 6,515,461</b>     | <b>\$ 26,514,511</b>                     | <b>(11,635,071)</b>  |
| General revenues   |                      |                         |  |  |
| Taxes and subventions                                      |                      |                         |  |  |
| Property taxes, levied for general purposes                |                      |                         |  | 7,026,148  |
| Property taxes, levied for other specific purposes         |                      |                         |  | 175,585  |
| Federal and state aid not restricted for specific purposes |                      |                         |  | 1,938,122  |
| Interest and investment earnings                           |                      |                         |  | 245,918  |
| Interagency revenues                                       |                      |                         |  | 679,171  |
| Miscellaneous  |                      |                         |  | 602,735  |
| <b>Subtotal, General Revenue</b>                           |                      |                         |  | <b>10,667,679</b>  |
| <b>CHANGE IN NET POSITION</b>                              |                      |                         |  | <b>(967,392)</b>   |
| <b>Net Position - Beginning</b>                            |                      |                         |  | <b>(2,623,819)</b>   |
| <b>Net Position - Ending</b>                               |                      |                         |  | <b>\$ (3,591,211)</b>  |

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

**NAPA COUNTY OFFICE OF EDUCATION  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2019**

|  | County School<br>Service Fund | Special Education<br>Pass-Through<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------------------|---|------------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                               |   |                                    |                                |
| Cash and investments                       | \$ 12,038,896                 | \$ -                                      | \$ 340,552                         | \$ 12,379,448                  |
| Accounts receivable                        | 9,249,208                     | 4,321,310                                 | 394,739                            | 13,965,257                     |
| Prepaid expenditures                       | 71,595                        | -   | -                                  | 71,595                         |
| <b>Total Assets</b>                        | <b>\$ 21,359,699</b>          | <b>\$ 4,321,310</b>                       | <b>\$ 735,291</b>                  | <b>\$ 26,416,300</b>           |
| <b>LIABILITIES</b>                         |                               |   |                                    |                                |
| Deficit cash                               | \$ -                          | \$ 76,765                                 | \$ -                               | \$ 76,765                      |
| Accrued liabilities                        | 2,560,376                     | 4,244,545                                 | 103,782                            | 6,908,703                      |
| Unearned revenue                           | 1,567,566                     | -   | 211,699                            | 1,779,265                      |
| <b>Total Liabilities</b>                   | <b>4,127,942</b>              | <b>4,321,310</b>                          | <b>315,481</b>                     | <b>8,764,733</b>               |
| <b>FUND BALANCES</b>                       |                               |   |                                    |                                |
| Nonspendable                               | 91,595                        | -   | -                                  | 91,595                         |
| Restricted                                 | 1,882,080                     | -   | 419,810                            | 2,301,890                      |
| Assigned                                   | 13,787,673                    | -   | -                                  | 13,787,673                     |
| Unassigned                                 | 1,470,409                     | -   | -                                  | 1,470,409                      |
| <b>Total Fund Balances</b>                 | <b>17,231,757</b>             | <b>-</b>                                  | <b>419,810</b>                     | <b>17,651,567</b>              |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 21,359,699</b>          | <b>\$ 4,321,310</b>                       | <b>\$ 735,291</b>                  | <b>\$ 26,416,300</b>           |

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



**NAPA COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET  
POSITION  
JUNE 30, 2019**

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**Total Fund Balance - Governmental Funds** \$ 17,651,567

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Capital assets           | \$ 12,630,982      |           |
| Accumulated depreciation | <u>(6,750,278)</u> | 5,880,704 |

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:

(7,443)

Net OPEB Asset

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported. The Net OPEB asset balance at the end of the period was:

60,238

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

|                                     |                   |              |
|-------------------------------------|-------------------|--------------|
| Total certificates of participation | \$ 2,320,000      |              |
| Compensated absences                | 223,382           |              |
| Net pension liability               | <u>32,841,742</u> | (35,385,124) |

Deferred outflows and inflows of resources relating to pensions:

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

|  |                    |           |
|--|--------------------|-----------|
| Deferred outflows of resources related to pensions | \$ 9,164,978       |           |
| Deferred inflows of resources related to pensions  | <u>(1,205,352)</u> | 7,959,626 |

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

|  |                 |         |
|--|-----------------|---------|
| Deferred outflows of resources related to OPEB | \$ 277,352      |         |
| Deferred inflows of resources related to OPEB  | <u>(28,131)</u> | 249,221 |

**Total Net Position - Governmental Activities** \$ (3,591,211)

**NAPA COUNTY OFFICE OF EDUCATION  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

|  | County School<br>Service Fund | Special Education<br>Pass-Through<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------------------|---|------------------------------------|--------------------------------|
| <b>REVENUES</b>  |                               |   |                                    |                                |
| LCFF sources   | \$ 8,898,302                  | \$ -                                      | \$ -                               | \$ 8,898,302                   |
| Federal sources  | 9,988,371                     | 3,709,638                                 | 982,746                            | 14,680,755                     |
| Other state sources  | 7,897,687                     | 1,656,992                                 | 3,084,243                          | 12,638,922                     |
| Other local sources  | 8,159,705                     | -   | 99,711                             | 8,259,416                      |
| <b>Total Revenues</b>  | <b>34,944,065</b>             | <b>5,366,630</b>                          | <b>4,166,700</b>                   | <b>44,477,395</b>              |
| <b>EXPENDITURES</b>  |                               |   |                                    |                                |
| Current  |                               |   |                                    |                                |
| Instruction  | 10,182,362                    | -   | 2,149,582                          | 12,331,944                     |
| Instruction-related services                                 |                               |   |                                    |                                |
| Instructional supervision and administration                 | 12,735,319                    | -   | 533,185                            | 13,268,504                     |
| Instructional library, media, and technology                 | 237,086                       | -   | -                                  | 237,086                        |
| Pupil services   |                               |   |                                    |                                |
| Home-to-school transportation                                | 183,045                       | -   | -                                  | 183,045                        |
| Food services  | 35,572                        | -   | 929,197                            | 964,769                        |
| All other pupil services                                     | 2,606,607                     | -   | 23,635                             | 2,630,242                      |
| General administration                                       |                               |   |                                    |                                |
| Centralized data processing                                  | 1,642,369                     | -   | -                                  | 1,642,369                      |
| All other general administration                             | 4,060,105                     | -   | 309,320                            | 4,369,425                      |
| Plant services   | 907,536                       | -   | 69,180                             | 976,716                        |
| Facilities acquisition and maintenance                       | 181,843                       | -   | 403,089                            | 584,932                        |
| Community services   | -                             | -   | 53,346                             | 53,346                         |
| Enterprise activities  | 56,199                        | -   | -                                  | 56,199                         |
| Transfers to other agencies                                  | 675,123                       | 5,366,630                                 | -                                  | 6,041,753                      |
| Debt service   |                               |   |                                    |                                |
| Principal  | 135,000                       | -   | -                                  | 135,000                        |
| Interest and other   | 94,518                        | -   | -                                  | 94,518                         |
| <b>Total Expenditures</b>                                    | <b>33,732,684</b>             | <b>5,366,630</b>                          | <b>4,470,534</b>                   | <b>43,569,848</b>              |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>1,211,381</b>              | <b>-</b>                                  | <b>(303,834)</b>                   | <b>907,547</b>                 |
| <b>Other Financing Sources (Uses)</b>                        |                               |   |                                    |                                |
| Transfers in   | -                             | -   | 15,502                             | 15,502                         |
| Transfers out  | (15,502)                      | -   | -                                  | (15,502)                       |
| <b>Net Financing Sources (Uses)</b>                          | <b>(15,502)</b>               | <b>-</b>                                  | <b>15,502</b>                      | <b>-</b>                       |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>1,195,879</b>              | <b>-</b>                                  | <b>(288,332)</b>                   | <b>907,547</b>                 |
| <b>Fund Balance - Beginning</b>                              | <b>16,035,878</b>             | <b>-</b>                                  | <b>708,142</b>                     | <b>16,744,020</b>              |
| <b>Fund Balance - Ending</b>                                 | <b>\$ 17,231,757</b>          | <b>\$ -</b>                               | <b>\$ 419,810</b>                  | <b>\$ 17,651,567</b>           |

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

**NAPA COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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**Net Change in Fund Balances - Governmental Funds** \$ 907,547

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

Capital outlay:

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

|                                  |                  |         |
|----------------------------------|------------------|---------|
| Expenditures for capital outlay: | \$ 683,326       |         |
| Depreciation expense:            | <u>(414,032)</u> | 269,294 |

Debt service:

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

135,000

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

433

Compensated absences:

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

(19,997)

Postemployment benefits other than pensions (OPEB):

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

76,477

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

(2,336,146)

**Change in Net Position of Governmental Activities** \$ (967,392)

**NAPA COUNTY OFFICE OF EDUCATION  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2019**

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|   | <u>Trust Fund</u><br><u>Retiree Benefit</u><br><u>Fund</u> | <u>Agency Fund</u><br><u>Payroll Trust</u><br><u>Fund</u> |
|---|--|---|
| <b>ASSETS</b>   |  |   |
| Cash and investments  | \$ 3,706,176   | \$ 4,951,345  |
| <b>Total Assets</b>   | <u>3,706,176</u>   | <u>\$ 4,951,345</u>                                       |
| <b>LIABILITIES</b>  |  |   |
| Accrued liabilities   | 22,673   | \$ 4,951,345  |
| <b>Total Liabilities</b>                                      | <u>22,673</u>  | <u>\$ 4,951,345</u>                                       |
| <b>NET POSITION</b>   |  |   |
| Restricted for postemployment benefits<br>other than pensions | 3,683,503  |   |
| <b>Total Net Position</b>                                     | <u>\$ 3,683,503</u>  |   |

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

**NAPA COUNTY OFFICE OF EDUCATION  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2019**

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|                                 | <u>Trust Fund</u><br><u>Retiree Benefit</u><br><u>Fund</u> |
|---------------------------------|--|
| <b>ADDITIONS</b>                |  |
| Contributions                   | \$ 285,105   |
| Investment earnings             | 216,143  |
| <b>Total Additions</b>          | <u>501,248</u>   |
| <b>DEDUCTIONS</b>               |  |
| Benefit payments                | 136,348  |
| Administrative expenses         | 2,892  |
| <b>Total Deductions</b>         | <u>139,240</u>   |
| <b>CHANGE IN NET POSITION</b>   | 362,008  |
| <b>Net Position - Beginning</b> | 3,321,495  |
| <b>Net Position - Ending</b>    | <u>\$ 3,683,503</u>  |

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

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

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

The County Office of Education operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County Office of Education consists of all funds, departments and agencies that are not legally separate from the County Office of Education. For the County Office of Education, this includes general operations and student-related activities.

**B. Component Units**

Component units are legally separate organizations for which the County Office of Education is financially accountable. Component units may also include organizations that are fiscally dependent on the County Office of Education in that the County Office of Education approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the County Office of Education is not financially accountable but the nature and significance of the organization’s relationship with the County Office of Education is such that exclusion would cause the County Office of Education’s financial statements to be misleading or incomplete. During the year ended June 30, 2018, NCOE Foundation was created and incorporated as a blended component unit of the Napa County Office of Education. The financial activity of the NCOE Foundation has been blended, or combined, with the activity of the County School Service Fund for presentation in the financial statements.

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the County Office of Education). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the County Office of Education’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for 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 of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County Office of Education.

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Fund Financial Statements:** The fund financial statements provide information about the County Office of Education's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the County Office of Education in a trustee or agency capacity for others that cannot be used to support the County Office of Education's own programs.

**Major Governmental Funds**

**County School Services Fund:** The County School Services Fund is the main operating fund of the County Office of Education. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the County Office of Education's activities are reported in the County School Services Fund unless there is a compelling reason to account for an activity in another fund. A County Office of Education may have only one County School Services Fund.

**Special Education Pass-Through Fund:** This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

**Non-Major Governmental Funds**

**Special Revenue Funds:** Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The County Office of Education maintains the following special revenue funds:

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the County Office of Education for, or from the operation of, child development services covered under the Child Care and Development Services Act (Education Code Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation (continued)**

**Non-Major Governmental Funds (continued)**

**Special Revenue Funds (continued)**

**Cafeteria Special Revenue Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the County Office of Education's food service program (*Education Code Sections 38091 and 38100*).

**Capital Project Funds:** Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

**Fiduciary Funds**

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the County Office of Education's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Retiree Benefit Fund:** This fund exists to account separately for amounts held in trust from irrevocable contributions for employees' retirement post-employment benefits

**Payroll Trust Fund:** This agency fund exists as a clearing account for payroll and withholdings for all school County Office of Educations in Napa County.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting – Measurement Focus**

**Government-Wide and Fiduciary Financial Statements**

The government-wide and fiduciary financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

**Governmental Funds**

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

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California LEA’s and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for LEA’s as collectible within one year.

Non-exchange transactions, in which the County Office of Education receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office of Education on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting – Measurement Focus (continued)**

**Unearned Revenue**

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

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the County Office of Education's policy to use restricted resources first, then unrestricted resources as they are needed.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability/(asset), deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

|                    |                              |
|--------------------|------------------------------|
| Valuation Date     | June 30, 2017                |
| Measurement Date   | June 30, 2018                |
| Measurement Period | July 1, 2017 – June 30, 2018 |

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

**Cash and Cash Equivalents**

The County Office of Education's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

**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.

**Inventories**

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The County Office of Education maintains a capitalization threshold of \$5,000. The County Office of Education does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 50 years depending on the asset class.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Compensated Absences (continued)**

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

**Accrued Liabilities and Long-Term Obligations**

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

**Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**Deferred Outflows/Deferred Inflows of Resources**

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

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

**Pensions**

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

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the County Office of Education is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the County School Services Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the County School Services Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The County Office of Education applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

**G. 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.

**H. Budgetary Data**

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

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

**I. 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 Auditor-Controller bills and collects the taxes on behalf of the County Office of Education. Local property tax revenues are recorded when received.

**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. New Accounting Pronouncements**

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard’s primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The County Office of Education has not yet determined the impact on the financial statements.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. This standard’s primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The County Office of Education has not determined the impact on the financial statements.

**GASB Statement No. 88** – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard’s primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The County Office of Education has implemented GASB Statement No. 88 for the year ended June 30, 2019.

**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

|                                   | <b>Governmental<br/>Activities*</b> | <b>Fiduciary<br/>Funds</b> |
|-----------------------------------|-------------------------------------|----------------------------|
| Investment in county treasury     | \$ 12,275,153                       | \$ 4,951,345               |
| Cash with fiscal agent - CERBT    | -                                   | 3,706,176                  |
| Cash in revolving fund            | 27,530                              | -                          |
| <b>Total cash and investments</b> | <b>\$ 12,302,683</b>                | <b>\$ 8,657,521</b>        |

*\*Cash and investments are reported net of deficit cash.*

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**B. Policies and Practices**

The County Office of Education 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; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The County Office of Education maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Napa County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the County Office of Education’s investment in the pool is based upon the County Office of Education’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.

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest County Office of Education funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

| <u>Authorized Investment Type</u>       | <u>Maximum Remaining Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|-----------------------------------|--|---|
| Local Agency Bonds, Notes, Warrants     | 5 years                           | None                                   | None                                    |
| Registered State Bonds, Notes, Warrants | 5 years                           | None                                   | None                                    |
| U. S. Treasury Obligations              | 5 years                           | None                                   | None                                    |
| U. S. Agency Securities                 | 5 years                           | None                                   | None                                    |
| Banker’s Acceptance                     | 180 days                          | 40%                                    | 30%                                     |
| Commercial Paper                        | 270 days                          | 25%                                    | 10%                                     |
| Negotiable Certificates of Deposit      | 5 years                           | 30%                                    | None                                    |
| Repurchase Agreements                   | 1 year                            | None                                   | None                                    |
| Reverse Repurchase Agreements           | 92 days                           | 20% of base                            | None                                    |
| Medium-Term 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                                    |



**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office of Education manages its exposure to interest rate risk by investing in the County Treasury. The County Office of Education maintains a pooled investment with the County Treasury with an amortized book value of \$12,275,153 and a fair value of \$12,408,075 in governmental activities. The weighted average maturity for this pool is 460 days.

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury were not rated.

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the County Office of Education's deposits may not be returned to it. The County Office of Education 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the County Office of Education's bank balance was not exposed to custodial credit risk.

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**G. Fair Value**

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the County Office of Education's own data. The County Office of Education should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the County Office of Education are not available to other market participants.

Uncategorized - Investments in the Napa County Treasury Investment Pool and CERBT are not measured using the input levels above because the County Office of Education's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The County Office of Education's fair value measurements at June 30, 2019 were as follows for governmental activities:

|   |                      |
|---|----------------------|
|   | <b>Uncategorized</b> |
| Investment in county treasury                 | \$ 12,408,075        |
| CERBT   | 3,706,176            |
| <b>Total fair market value of investments</b> | <b>\$ 16,114,251</b> |

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019 consisted of the following:

|                     | <b>County School<br/>Service Fund</b> | <b>Special Education<br/>Pass-Through<br/>Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Activities</b> |
|---------------------|---------------------------------------|--|---|--|
| Federal Government  |                                       |  |   |  |
| Categorical aid     | \$ 7,188,557                          | \$ 3,942,836                                       | \$ 281,263                                  | \$ 11,412,656                                |
| State Government    |                                       |  |   |  |
| Apportionment       | 188,527                               | -  | -   | 188,527                                      |
| Categorical aid     | 1,457,623                             | 378,474  | 113,476                                     | 1,949,573                                    |
| Lottery             | 6,058                                 | -  | -   | 6,058  |
| Local Government    |                                       |  |   |  |
| Other local sources | 408,443                               | -  | -   | 408,443                                      |
| <b>Total</b>        | <b>\$ 9,249,208</b>                   | <b>\$ 4,321,310</b>                                | <b>\$ 394,739</b>                           | <b>\$ 13,965,257</b>                         |

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

|  | Balance<br>July 1, 2018 | Additions         | Deletions   | Balance<br>June 30, 2019 |
|--|-------------------------|-------------------|-------------|--------------------------|
| <b>Governmental Activities</b>             |                         |                   |             |                          |
| Capital assets not being depreciated       |                         |                   |             |                          |
| Construction in progress                   | \$ 520,063              | \$ 351,953        | \$ -        | \$ 872,016               |
| Total Capital Assets not Being Depreciated | 520,063                 | 351,953           | -           | 872,016                  |
| Capital assets being depreciated           |                         |                   |             |                          |
| Land improvements                          | 504,463                 | 720               | -           | 505,183                  |
| Buildings & improvements                   | 8,828,351               | 108,598           | -           | 8,936,949                |
| Furniture & equipment                      | 2,120,832               | 222,055           | 26,053      | 2,316,834                |
| Total Capital Assets Being Depreciated     | 11,453,646              | 331,373           | 26,053      | 11,758,966               |
| Less Accumulated Depreciation              |                         |                   |             |                          |
| Land improvements                          | 33,533                  | 26,070            | -           | 59,603                   |
| Buildings & improvements                   | 4,898,545               | 240,161           | -           | 5,138,706                |
| Furniture & equipment                      | 1,430,221               | 147,801           | 26,053      | 1,551,969                |
| Total Accumulated Depreciation             | 6,362,299               | 414,032           | 26,053      | 6,750,278                |
| <b>Governmental Activities</b>             |                         |                   |             |                          |
| <b>Capital Assets, net</b>                 | <b>\$ 5,611,410</b>     | <b>\$ 269,294</b> | <b>\$ -</b> | <b>\$ 5,880,704</b>      |

**NOTE 5 – INTERFUND TRANSACTIONS**

**Interfund Transfer**

During the year ended June 30, 2019, the County School Service Fund transferred \$15,502 to the Cafeteria Fund for contributions to the breakfast and lunch programs.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2019 consisted of the following:

|                    | County School<br>Service Fund | Special Education<br>Pass-Through<br>Fund | Non-Major<br>Governmental<br>Funds | County Office of<br>Education-Wide | Total<br>Governmental<br>Activities |
|--------------------|-------------------------------|---|------------------------------------|------------------------------------|-------------------------------------|
| Payroll            | \$ 417,037                    | \$ -                                      | \$ 34,569                          | \$ -                               | \$ 451,606                          |
| Vendors payable    | 2,143,339                     | 4,244,545                                 | 69,213                             | -                                  | 6,457,097                           |
| Unmatured interest | -                             | -   | -                                  | 7,443                              | 7,443                               |
| <b>Total</b>       | <b>\$ 2,560,376</b>           | <b>\$ 4,244,545</b>                       | <b>\$ 103,782</b>                  | <b>\$ 7,443</b>                    | <b>\$ 6,916,146</b>                 |

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2019 consisted of the following:

|                           | <b>County School<br/>Service Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Activities</b> |
|---------------------------|---------------------------------------|---|--|
| Federal sources           | \$ 133,230                            | \$ 167,860                                  | \$ 301,090                                   |
| State categorical sources | 489,289                               | 42,595                                      | 531,884                                      |
| Local sources             | 945,047                               | 1,244                                       | 946,291                                      |
| <b>Total</b>              | <b>\$ 1,567,566</b>                   | <b>\$ 211,699</b>                           | <b>\$ 1,779,265</b>                          |

**NOTE 8 – LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

|                                | <b>Balance<br/>July 01, 2018</b> | <b>Additions</b>    | <b>Deductions</b> | <b>Balance<br/>June 30, 2019</b> | <b>Balance Due<br/>In One Year</b> |
|--------------------------------|----------------------------------|---------------------|-------------------|----------------------------------|------------------------------------|
| <b>Governmental Activities</b> |                                  |                     |                   |                                  |                                    |
| Refunding lease                | \$ 2,455,000                     | \$ -                | \$ 135,000        | \$ 2,320,000                     | \$ 140,000                         |
| Compensated absences           | 203,385                          | 19,997              | -                 | 223,382                          | 223,382                            |
| Net pension liability          | 30,727,499                       | 2,114,243           | -                 | 32,841,742                       | -                                  |
| <b>Total</b>                   | <b>\$ 33,385,884</b>             | <b>\$ 2,134,240</b> | <b>\$ 135,000</b> | <b>\$ 35,385,124</b>             | <b>\$ 363,382</b>                  |

- Payments for refunding lease are made in the County School Services Fund.
- Payments for compensated absences are typically liquidated in the County School Services Fund and the Non-Major Governmental Funds.

**A. Refunding Lease**

On August 28, 2012, the Napa County Office of Education executed the 2012 Refunding Lease in the principal amount of \$3,185,000 for the purpose of refunding the County Office’s 2001 Certificates of Participation. The Refunding Lease bears an interest rate of 3.85% and is scheduled to mature in June 2032. At June 30, 2019, the principal balance outstanding was \$2,320,000.

The annual requirements to amortize the refunding lease payable at June 30, 2019 are as follows:

| <b>Year Ended June 30,</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2020                       | \$ 140,000          | \$ 89,320         | \$ 229,320          |
| 2021                       | 145,000             | 83,930            | 228,930             |
| 2022                       | 150,000             | 78,348            | 228,348             |
| 2023                       | 160,000             | 72,573            | 232,573             |
| 2024                       | 165,000             | 66,413            | 231,413             |
| 2025 - 2029                | 920,000             | 232,348           | 1,152,348           |
| 2030 - 2032                | 640,000             | 49,858            | 689,858             |
| <b>Total</b>               | <b>\$ 2,320,000</b> | <b>\$ 672,790</b> | <b>\$ 2,992,790</b> |

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**B. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2019 amounted to \$223,382. This amount is included as part of long-term liabilities in the government-wide financial statements.

**C. Net Pension Liability**

The County Office of Education’s beginning net pension liability was \$30,727,499 and increased by \$2,114,243 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was \$32,841,742. See Note 11 for additional information regarding the net pension liability.

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2019:

|                                    | <b>County School<br/>Service Fund</b> | <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------------|---------------------------------------|---|---|
| Non-spendable                      |                                       |   |   |
| Revolving cash                     | \$ 20,000                             | \$ -  | \$ 20,000                               |
| Prepaid expenditures               | 71,595                                | -   | 71,595                                  |
| Total non-spendable                | <u>91,595</u>                         | -   | <u>91,595</u>                           |
| Restricted                         |                                       |   |   |
| Educational programs               | 1,882,080                             | 17,605                                      | 1,899,685                               |
| Capital projects                   | -                                     | 46,530                                      | 46,530                                  |
| All others                         | -                                     | 355,675                                     | 355,675                                 |
| Total restricted                   | <u>1,882,080</u>                      | <u>419,810</u>                              | <u>2,301,890</u>                        |
| Assigned                           |                                       |   |   |
| Counterparty risk                  | 3,895,511                             | -   | 3,895,511                               |
| Reserve for capital outlay         | 2,504,068                             | -   | 2,504,068                               |
| Benefit cost increase              | 1,271,737                             | -   | 1,271,737                               |
| Special reserve                    | 5,506,764                             | -   | 5,506,764                               |
| Future OPEB obligations            | 609,593                               | -   | 609,593                                 |
| Total assigned                     | <u>13,787,673</u>                     | -   | <u>13,787,673</u>                       |
| Unassigned                         |                                       |   |   |
| Reserve for economic uncertainties | 1,462,879                             | -   | 1,462,879                               |
| Total unassigned                   | <u>1,470,409</u>                      | -   | <u>1,470,409</u>                        |
| <b>Total</b>                       | <u>\$ 17,231,757</u>                  | <u>\$ 419,810</u>                           | <u>\$ 17,651,567</u>                    |

The County Office of Education is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The County’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of County School Services Fund expenditures and other financing uses.

**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description**

The County Office participates in a single-employer retiree benefit plan that provides post-employment health insurance benefits to eligible employees. The County Office’ OPEB plan (the Plan) provides retiree health benefits, based on age, service and eligibility for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS).

**B. OPEB Plan Fiduciary Net Position**

The County Office is a participant in the California Employers’ Retiree Benefit Trust (CERBT) and has invested assets that are accumulated in the trust. Detailed information about the Plan’s fiduciary net position is available in the separately-issued CalPERS Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. Copies of the CalPERS’ CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

**C. Benefits Provided**

The eligibility requirements and benefits provided by the Plan are described below. (Some grandfathered certificated retirees receive additional benefits under a recent retirement incentive.)

|                              | <u>Certificated</u> | <u>Classified</u> | <u>Management</u> |
|------------------------------|---------------------|-------------------|-------------------|
| Benefit types provided       | Medical             | Medical           | Medical           |
| Duration of Benefits         | To age 65*          | To age 65*        | To age 65*        |
| Required Service             | 10 years*           | 10 years*         | 10 years*         |
| Minimum Age                  | 55                  | 55*               | 55*               |
| Dependent Coverage           | No                  | No                | No                |
| County Office Contribution % | 100%                | 100%              | 100%              |
| County Office Cap            | \$325 per month*    | \$350 per month*  | None*             |

\*Those who do not qualify for the above benefits or who exhaust these benefits are entitled to statutory minimum CalPERS contributions toward medical coverage.

All contracts with County Office employees will be renegotiated at various times in the future and, thus, costs and benefits are subjected to change. Benefits and contribution requirements (both employee and employer) for OPEB Plan are established by various labor agreements.

**D. Contributions**

The contribution requirements of Plan members and the Napa County Office of Education are established and may be amended by the Napa County Office of Education. The County Office is a participant in the CERBT trust and has invested assets that are accumulated in the trust, which meets the criteria in paragraph 4 of GASB Statement 75.

**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**E. Plan Membership**

Membership of the Plan consisted of the following:

|   | <b><u>Number of<br/>participants</u></b> |
|---|--|
| Inactive employees receiving benefits                     | 60                                       |
| Inactive employees entitled to but not receiving benefits | -  |
| Participating active employees                            | <u>263</u>                               |
| <b>Total number of participants*</b>                      | <b><u>323</u></b>                        |

\*As of the June 30, 2017 valuation date

**F. Net OPEB Liability/(Asset)**

The components of the net OPEB liability/(asset) of the County Office of Education at June 30, 2019, were as follows:

|  |                           |
|--|---------------------------|
| Total OPEB liability   | \$ 3,259,714              |
| Plan fiduciary net position  | <u>3,319,952</u>          |
| <b>County Office's net OPEB liability/(asset)</b>                          | <b><u>\$ (60,238)</u></b> |
| <br>Plan fiduciary net position as a percentage of<br>total OPEB liability | <br><br>101.85%           |

**G. Investments**

The County Office of Education participates in the CERBT OPEB Trust. The Trust's investment policy restricts the investment allocation of the plan. Assumed asset allocations and rates of return are as follows:

| <b><u>Asset Class</u></b>                      | <b><u>Percentage of<br/>Portfolio</u></b> | <b><u>Assumed<br/>Gross Return</u></b> |
|--|---|--|
| US Large Cap                                   | 43%                                       | 7.795%                                 |
| US Small Cap                                   | 23%                                       | 7.795%                                 |
| Long-Term Corporate Bonds                      | 12%                                       | 5.295%                                 |
| Long-Term Government Bonds                     | 6%  | 4.500%                                 |
| Treasury Inflation Protected Securities (TIPS) | 5%  | 7.795%                                 |
| US Real Estate                                 | 8%  | 7.795%                                 |
| All Commodities                                | 3%  | 7.795%                                 |

**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**H. Actuarial Assumptions and Other Inputs (continued)**

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

**Economic assumptions:**

|                             |       |
|-----------------------------|-------|
| Inflation                   | 2.75% |
| Salary increases            | 2.75% |
| Investment rate of return   | 7.00% |
| Healthcare cost trend rates | 4.00% |

**Non-economic assumptions:**

*Mortality:*

|              |   |
|--------------|---|
| Certificated | 2009 CalSTRS Mortality Table                                    |
| Classified   | 2014 CalPERS Active Mortality for Miscellaneous Employees Table |

*Retirement rates:*

|              |  |
|--------------|--|
| Certificated | 2009 CalSTRS Retirement Rates Table  |
| Classified   | <u>Hired before 2013:</u> 2009 CalPERS Retirement Rates for School Employees Table<br><u>Hired after 2012:</u> 2009 CalPERS 2% at 60 Retirement Rate for Miscellaneous Employees adjusted to reflect minimum retirement age of 52. |

*Vesting rates:*

|                         |  |
|-------------------------|--|
| Certificated Management | Statutory minimum benefits: 100% at 5 years of service<br>Supplemental benefits: 100% at 10 years of service |
| Certificated            | Statutory minimum benefits: 100% at 5 years of service<br>Supplemental benefits: 100% at 10 years of service |
| Classified              | Statutory minimum benefits: 100% at 5 years of service<br>Supplemental benefits: 100% at 10 years of service |
| Classified Management   | Statutory minimum benefits: 100% at 5 years of service<br>Supplemental benefits: 100% at 10 years of service |

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience during the period 2009 to 2014.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty-two years.



**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**I. Changes in Net OPEB Asset**

|  | <u>June 30, 2019</u> |
|--|----------------------|
| <b>Total OPEB Liability</b>  |                      |
| Service Cost   | \$ 192,561           |
| Interest on total OPEB liability   | 211,004              |
| Benefits payments  | <u>(123,822)</u>     |
| Net change in total OPEB liability   | 279,743              |
| Total OPEB liability - beginning   | <u>2,979,971</u>     |
| Total OPEB liability - ending (a)  | <u>\$ 3,259,714</u>  |
| <br><b>Plan fiduciary net position</b>   |                      |
| Contributions - employer   | \$ 287,786           |
| Net investment income  | 237,595              |
| Benefit payments   | (123,822)            |
| Administrative expenses  | <u>(5,465)</u>       |
| Net change in plan fiduciary net position  | 396,094              |
| Plan fiduciary net position - beginning  | <u>2,923,858</u>     |
| Plan fiduciary net position - ending (b)   | <u>\$ 3,319,952</u>  |
| <br>County Office of Education's net OPEB liability/(asset) - ending (a) - (b)                             | <u>\$ (60,238)</u>   |
| <br>Plan fiduciary net position as a percentage of the<br>total OPEB liability                             | 101.8%               |
| <br>Covered-employee payroll   | \$ 17,259,143        |
| <br>County Office of Education's net OPEB liability/(asset) as a percentage<br>of covered-employee payroll | -0.35%               |

**J. Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate**

The following presents the net OPEB liability/(asset) of the Napa County Office of Education, as well as what the County Office of Education's net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current discount rate:

|                            | <b>1% Decrease<br/>(6.0%)</b> | <b>Valuation<br/>Discount Rate<br/>(7.0%)</b> | <b>1% Increase<br/>(8.0%)</b> |
|----------------------------|-------------------------------|---|-------------------------------|
| Net OPEB liability/(asset) | \$ 328,625                    | \$ (60,238)                                   | \$ (383,609)                  |

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**K. Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability/(asset) of the Napa County Office of Education, as well as what the County Office of Education’s net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.0 percent) or one percentage point higher (5.0 percent) than the current healthcare cost trend rate:

|                            | <b>1% Decrease<br/>(3.0%)</b> | <b>Valuation Trend<br/>Rate<br/>(4.0%)</b> | <b>1% Increase<br/>(5.0%)</b> |
|----------------------------|-------------------------------|--|-------------------------------|
| Net OPEB liability/(asset) | \$ (412,725)                  | \$ (60,238)                                | \$ 353,243                    |

**L. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2018, the Napa County Office of Education recognized OPEB expense of \$(116,351). At June 30, 2019, the Napa County Office of Education reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between projected and actual earnings on plan investments | \$ -                                      | \$ 20,156                                |
| Differences between expected and actual experience                    | -   | 7,975                                    |
| COE contributions subsequent to the measurement date                  | 277,352                                   | -  |
|   | <u>\$ 277,352</u>                         | <u>\$ 28,131</u>                         |

The \$277,352 reported as deferred outflows of resources related to OPEB resulting from County Office contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year Ended June 30,</b> | <b>Deferred Inflows<br/>of Resources</b> |
|----------------------------|--|
| 2020                       | \$ 5,739                                 |
| 2021                       | 5,739                                    |
| 2022                       | 5,739                                    |
| 2023                       | 5,739                                    |
| 2024                       | 700                                      |
| Thereafter                 | 4,475                                    |
|                            | <u>\$ 28,131</u>                         |

**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The County Office of Education reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

|              | <u>Net pension liability</u> | <u>Deferred outflows related to pensions</u> | <u>Deferred inflows related to pensions</u> | <u>Pension expense</u> |
|--------------|------------------------------|--|---|------------------------|
| STRS Pension | \$ 10,879,622                | \$ 3,274,017                                 | \$ 765,422                                  | \$ 1,369,717           |
| PERS Pension | 21,962,120                   | 5,890,961                                    | 439,930                                     | 4,036,952              |
| <b>Total</b> | <u>\$ 32,841,742</u>         | <u>\$ 9,164,978</u>                          | <u>\$ 1,205,352</u>                         | <u>\$ 5,406,669</u>    |

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

**Plan Description**

The County Office of Education contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, respectively, and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the County Office of Education were \$992,278 for the year ended June 30, 2019.

**On-Behalf Payments**

The County Office of Education was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$992,155 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the County Office of Education reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office of Education. The amount recognized by the County Office of Education as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County Office of Education were as follows:

|  |                      |
|--|----------------------|
| COE's proportionate share of the net pension liability                           | \$ 10,879,622        |
| State's proportionate share of the net pension liability associated with the COE | <u>6,229,124</u>     |
| Total  | <u>\$ 17,108,746</u> |

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’s long-term share of contributions to the pension plan relative to the projected contributions of all participating local education agencies, actuarially determined. At June 30, 2018, the County Office of Education’s proportion was .012 percent, which was an increase of .001 percent from its proportion measured as of June 30, 2017.

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2019, the County Office of Education recognized pension expense of \$1,369,717. In addition, the County Office of Education recognized pension expense and revenue of \$212,411 for support provided by the State. At June 30, 2019, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between projected and actual earnings on plan investments                                    | \$ -                                      | \$ 418,934                               |
| Differences between expected and actual experience   | 33,738                                    | 158,033                                  |
| Changes in assumptions   | 1,690,119                                 |  |
| Changes in proportion and differences between COE contributions and proportionate share of contributions | 557,882                                   | 188,455                                  |
| COE contributions subsequent to the measurement date   | 992,278                                   | -  |
|  | <u>\$ 3,274,017</u>                       | <u>\$ 765,422</u>                        |

The \$992,278 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|----------------------------|---|--|
| 2020                       | \$ 476,707                                | \$ (6,155)                               |
| 2021                       | 476,707                                   | 151,114                                  |
| 2022                       | 476,709                                   | 436,890                                  |
| 2023                       | 398,794                                   | 155,014                                  |
| 2024                       | 398,796                                   | 26,940                                   |
| 2025                       | 54,026                                    | 1,619                                    |
|                            | <u>\$ 2,281,739</u>                       | <u>\$ 765,422</u>                        |

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |       |
|----------------------------|-------|
| Consumer Price Inflation   | 2.75% |
| Investment Rate of Return* | 7.10% |
| Wage Inflation             | 3.50% |

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

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, 2018, are summarized in the following table:

| <b>Asset Class</b>         | <b>Assumed Asset Allocation</b> | <b>Long-Term Expected Real Rate of Return*</b> |
|----------------------------|---------------------------------|--|
| Global Equity              | 47%                             | 6.30%  |
| Fixed Income               | 12%                             | 0.30%  |
| Real Estate                | 13%                             | 5.20%  |
| Private Equity             | 13%                             | 9.30%  |
| Risk Mitigating Strategies | 9%                              | 2.90%  |
| Inflation Sensitive        | 4%                              | 3.80%  |
| Cash/Liquidity             | 2%                              | -1.00%   |
|                            | 100%                            |  |

\*20-year geometric average

**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. 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 occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the County Office of Education’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

|   | <b>1%<br/>Decrease<br/>(6.10%)</b> | <b>Current<br/>Discount Rate<br/>(7.10%)</b> | <b>1%<br/>Increase<br/>(8.10%)</b> |
|---|------------------------------------|--|------------------------------------|
| COE’s proportionate share of<br>the net pension liability | \$ 15,937,374                      | \$ 10,879,622                                | \$ 6,686,256                       |

**Pension Plan Fiduciary Net Position**

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

**B. California Public Employees’ Retirement System (CalPERS)**

**Plan Description**

The County Office of Education contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2019 was 18.062% of annual payroll. Contributions to the plan from the County Office of Education were \$2,078,245 for the year ended June 30, 2019.

**On-Behalf Payments**

The County Office of Education was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately \$744,627 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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

At June 30, 2019, the County Office of Education reported a liability of \$21,962,120 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’s long-term share of contributions to the pension plan relative to the projected contributions of all participating local education agencies, actuarially determined. At June 30, 2018, the County Office of Education’s proportion was .082 percent, which was a decrease of .003 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County Office of Education recognized pension expense of \$4,036,952. At June 30, 2019, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between projected and actual earnings on plan investments                                    | \$ 180,139                                | \$ -                                     |
| Differences between expected and actual experience   | 1,439,756                                 | -  |
| Changes in assumptions   | 2,192,821                                 | -  |
| Changes in proportion and differences between COE contributions and proportionate share of contributions | -   | 439,930                                  |
| COE contributions subsequent to the measurement date   | 2,078,245                                 | -  |
|  | <u>\$ 5,890,961</u>                       | <u>\$ 439,930</u>                        |



**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The \$2,078,245 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|----------------------------|---|--|
| 2020                       | \$ 2,272,403                              | \$ 223,990                               |
| 2021                       | 1,697,832                                 | 113,652                                  |
| 2022                       | (27,890)                                  | 102,288                                  |
| 2023                       | (129,629)                                 | -  |
|                            | <u>\$ 3,812,716</u>                       | <u>\$ 439,930</u>                        |

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |                                 |
|------------------|---------------------------------|
| Inflation        | 2.50%                           |
| Discount Rate    | 7.15%                           |
| Salary Increases | Varies by Entry Age and Service |

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Assumptions (continued)**

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| <b>Asset Class</b> | <b>Assumed Asset Allocation</b> | <b>Real Return Years 1 – 10*</b> | <b>Real Return Years 11+**</b> |
|--------------------|---------------------------------|----------------------------------|--------------------------------|
| Global Equity      | 50.0%                           | 4.80%                            | 5.98%                          |
| Fixed Income       | 28.0%                           | 1.00%                            | 2.62%                          |
| Inflation Assets   | 0.0%                            | 0.77%                            | 1.81%                          |
| Private Equity     | 8.0%                            | 6.30%                            | 7.23%                          |
| Real Estate        | 13.0%                           | 3.75%                            | 4.93%                          |
| Liquidity          | 1.0%                            | 0.0%                             | -0.92%                         |
|                    | 100.0%                          |                                  |                                |

\*An expected inflation of 2.00% used for this period.

\*\*An expected inflation of 2.92% used for this period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

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

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

|  | <b>1%<br/>Decrease<br/>(6.15%)</b> | <b>Current<br/>Discount Rate<br/>(7.15%)</b> | <b>1%<br/>Increase<br/>(8.15%)</b> |
|--|------------------------------------|--|------------------------------------|
| COE's proportionate share of the net pension liability | \$ 31,975,797                      | \$ 21,962,120                                | \$ 13,654,342                      |

**Pension Plan Fiduciary Net Position**

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

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The County Office of Education 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 Services Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2019.

**B. Litigation**

The County Office of Education is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2019.

**C. Construction Commitments**

As of June 30, 2019, the County Office of Education had no outstanding commitments with respect to unfinished capital projects.

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The County Office of Education participates in two joint powers agreement (JPA) entities, the North Bay Schools Insurance Authority for Workers' Compensation and Property and Liability Insurance and the Schools Self Insurance of Contra Costa County for Dental and Vision. The relationship is such that the JPAs are not component units of the County Office of Education 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 Office of Education are included in these financial statements. Audited financial statements are available from the respective entities.

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2019**

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**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**A. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the County Office of Education recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the County Office of Education wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2019, total deferred outflows related to pensions was \$9,164,978 and total deferred inflows related to pensions was \$1,205,352.

**B. Other Postemployment Benefits**

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the County Office of Education recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the County Office of Education -wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2019, total deferred outflows related to OPEB was \$277,352 and total deferred inflows related to OPEB was \$28,131.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**NAPA COUNTY OFFICE OF EDUCATION  
COUNTY SCHOOL SERVICES FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

|  | Budgeted Amounts     |                      | Actual*<br>(Budgetary Basis) | Variances -<br>Final to Actual |
|--|----------------------|----------------------|------------------------------|--------------------------------|
|  | Original             | Final                |                              |                                |
| <b>REVENUES</b>  |                      |                      |                              |                                |
| LCFF sources   | \$ 8,518,229         | \$ 8,775,802         | \$ 8,898,302                 | \$ 122,500                     |
| Federal sources  | 12,205,164           | 12,762,029           | 10,139,317                   | (2,622,712)                    |
| Other state sources  | 7,212,497            | 7,406,032            | 7,735,842                    | 329,810                        |
| Other local sources  | 7,741,428            | 9,157,140            | 8,062,826                    | (1,094,314)                    |
| <b>Total Revenues</b>  | <b>35,677,318</b>    | <b>38,101,003</b>    | <b>34,836,287</b>            | <b>(3,264,716)</b>             |
| <b>EXPENDITURES</b>  |                      |                      |                              |                                |
| Certificated salaries  | 5,534,367            | 5,606,042            | 5,394,882                    | 211,160                        |
| Classified salaries  | 12,652,114           | 13,044,713           | 12,172,729                   | 871,984                        |
| Employee benefits  | 5,212,353            | 5,228,050            | 6,079,539                    | (851,489)                      |
| Books and supplies   | 2,237,558            | 2,119,736            | 1,119,879                    | 999,857                        |
| Services and other operating expenditures                    | 9,560,907            | 10,735,442           | 8,021,718                    | 2,713,724                      |
| Capital outlay   | 716,718              | 853,714              | 337,718                      | 515,996                        |
| Other outgo  |                      |                      |                              |                                |
| Excluding transfers of indirect costs                        | 229,517              | 950,485              | 904,641                      | 45,844                         |
| Transfers of indirect costs                                  | (304,221)            | (311,879)            | (309,320)                    | (2,559)                        |
| <b>Total Expenditures</b>                                    | <b>35,839,313</b>    | <b>38,226,303</b>    | <b>33,721,786</b>            | <b>4,504,517</b>               |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>(161,995)</b>     | <b>(125,300)</b>     | <b>1,114,501</b>             | <b>1,239,801</b>               |
| <b>Other Financing Sources (Uses)</b>                        |                      |                      |                              |                                |
| Transfers out  | (23,000)             | (23,000)             | (1,015,502)                  | (992,502)                      |
| <b>Net Financing Sources (Uses)</b>                          | <b>(23,000)</b>      | <b>(23,000)</b>      | <b>(1,015,502)</b>           | <b>(992,502)</b>               |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(184,995)</b>     | <b>(148,300)</b>     | <b>98,999</b>                | <b>247,299</b>                 |
| <b>Fund Balance - Beginning</b>                              | <b>11,016,401</b>    | <b>11,016,401</b>    | <b>11,016,401</b>            | <b>-</b>                       |
| <b>Fund Balance - Ending</b>                                 | <b>\$ 10,831,406</b> | <b>\$ 10,868,101</b> | <b>\$ 11,115,400</b>         | <b>\$ 247,299</b>              |

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the County School Services Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**NAPA COUNTY OFFICE OF EDUCATION  
SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

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|                                       | <u>Budgeted Amounts</u> |                  | <u>Actual</u><br><u>(Budgetary Basis)</u> | <u>Variances -</u><br><u>Final to Actual</u> |
|---------------------------------------|-------------------------|------------------|---|--|
|                                       | <u>Original</u>         | <u>Final</u>     |   |  |
| <b>REVENUES</b>                       |                         |                  |   |  |
| Federal sources                       | \$ 3,626,576            | \$ 3,625,807     | \$ 3,709,638                              | \$ 83,831                                    |
| Other state sources                   | 1,315,230               | 1,327,821        | 1,656,992                                 | 329,171                                      |
| <b>Total Revenues</b>                 | <b>4,941,806</b>        | <b>4,953,628</b> | <b>5,366,630</b>                          | <b>413,002</b>                               |
| <b>EXPENDITURES</b>                   |                         |                  |   |  |
| Other outgo                           |                         |                  |   |  |
| Excluding transfers of indirect costs | 4,941,806               | 4,953,628        | 5,366,630                                 | (413,002)                                    |
| <b>Total Expenditures</b>             | <b>4,941,806</b>        | <b>4,953,628</b> | <b>5,366,630</b>                          | <b>(413,002)</b>                             |
| <b>NET CHANGE IN FUND BALANCE</b>     |                         |                  |   |  |
|                                       | -                       | -                | -   | -  |
| Fund Balance - Beginning              | -                       | -                | -   | -  |
| Fund Balance - Ending                 | \$ -                    | \$ -             | \$ -                                      | \$ -   |

See accompanying note to required supplementary information.

**NAPA COUNTY OFFICE OF EDUCATION  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019**

|   | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------|----------------------|
| <b>Total OPEB Liability</b>   |                      |                      |
| Service Cost  | \$ 192,561           | \$ 187,407           |
| Interest on total OPEB liability  | 211,004              | 193,312              |
| Benefits payments   | (123,822)            | (142,438)            |
| Net change in total OPEB liability  | <u>279,743</u>       | <u>238,281</u>       |
| Total OPEB liability - beginning  | 2,979,971            | 2,741,690            |
| Total OPEB liability - ending (a)   | <u>\$ 3,259,714</u>  | <u>\$ 2,979,971</u>  |
| <br><b>Plan fiduciary net position</b>  |                      |                      |
| Contributions - employer  | \$ 287,786           | \$ 290,251           |
| Net investment income   | 237,595              | 272,426              |
| Benefit payments  | (123,822)            | (142,438)            |
| Administrative expenses   | (5,465)              | (2,287)              |
| Net change in plan fiduciary net position   | <u>396,094</u>       | <u>417,952</u>       |
| Plan fiduciary net position - beginning   | 2,923,858            | 2,505,906            |
| Plan fiduciary net position - ending (b)  | <u>\$ 3,319,952</u>  | <u>\$ 2,923,858</u>  |
| <br>County Office of Education's net OPEB liability/(asset) - ending (a) - (b)                          | <u>\$ (60,238)</u>   | <u>\$ 56,113</u>     |
| <br>Plan fiduciary net position as a percentage of the total OPEB liability                             | 101.8%               | 98.1%                |
| <br>Covered-employee payroll  | \$ 17,259,143        | \$ 17,259,143        |
| <br>County Office of Education's net OPEB liability/(asset) as a percentage of covered-employee payroll | -0.35%               | 0.33%                |

See accompanying note to required supplementary information.



**NAPA COUNTY OFFICE OF EDUCATION  
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS  
FOR THE YEAR ENDED JUNE 30, 2019**

|   | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| COE's proportion of the net pension liability   | 0.012%               | 0.011%               | 0.012%               | 0.012%               | 0.011%               |
| COE's proportionate share of the net pension liability  | \$ 10,879,622        | \$ 10,497,747        | \$ 9,385,548         | \$ 7,909,822         | \$ 6,428,070         |
| State's proportionate share of the net pension liability associated with the COE              | 6,229,124            | 6,210,429            | 5,343,811            | 4,183,413            | 3,881,546            |
| Total   | <u>\$ 17,108,746</u> | <u>\$ 16,708,176</u> | <u>\$ 14,729,359</u> | <u>\$ 12,093,235</u> | <u>\$ 10,309,616</u> |
| COE's covered payroll   | \$ 6,281,999         | \$ 6,184,602         | \$ 5,540,676         | \$ 4,740,388         | \$ 4,852,642         |
| COE's proportionate share of the net pension liability as a percentage of its covered payroll | 173.2%               | 169.7%               | 169.4%               | 166.9%               | 132.5%               |
| Plan fiduciary net position as a percentage of the total pension liability                    | 71.0%                | 69.5%                | 70.0%                | 74.0%                | 76.5%                |

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**NAPA COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS  
 FOR THE YEAR ENDED JUNE 30, 2019**

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|   | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| COE's proportion of the net pension liability   | 0.082%               | 0.085%               | 0.087%               | 0.089%               | 0.087%               |
| COE's proportionate share of the net pension liability  | \$ 21,962,120        | \$ 20,229,752        | \$ 17,181,052        | \$ 13,225,104        | \$ 9,842,561         |
| COE's covered payroll   | \$ 11,084,087        | \$ 11,074,541        | \$ 9,937,270         | \$ 9,084,459         | \$ 9,102,849         |
| COE's proportionate share of the net pension liability as a percentage of its covered payroll | 198.1%               | 182.7%               | 172.9%               | 145.6%               | 108.1%               |
| Plan fiduciary net position as a percentage of the total pension liability                    | 70.8%                | 71.9%                | 73.9%                | 79.4%                | 83.4%                |

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**NAPA COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALSTRS  
 FOR THE YEAR ENDED JUNE 30, 2019**

|   | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution                                   | \$ 992,278           | \$ 900,773           | \$ 770,946           | \$ 617,428           | \$ 492,012           |
| Contributions in relation to the contractually required contribution* | (992,278)            | (900,773)            | (770,946)            | (617,428)            | (492,012)            |
| Contribution deficiency (excess)                                      | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| COE's covered payroll   | \$ 6,211,133         | \$ 6,281,999         | \$ 6,184,602         | \$ 5,540,676         | \$ 4,740,388         |
| Contributions as a percentage of covered payroll                      | 15.98%               | 14.34%               | 12.47%               | 11.14%               | 10.38%               |

\*Amounts do not include on-behalf contributions

**NAPA COUNTY OFFICE OF EDUCATION  
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2019**

|  | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution                                      | \$ 2,078,245         | \$ 1,694,351         | \$ 1,480,986         | \$ 1,246,350         | \$ 1,169,716         |
| Contributions in relation to the<br>contractually required contribution* | (2,078,245)          | (1,694,351)          | (1,480,986)          | (1,246,350)          | (1,169,716)          |
| Contribution deficiency (excess)   | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| COE's covered payroll  | \$ 11,650,717        | \$ 11,084,087        | \$ 11,074,541        | \$ 9,937,270         | \$ 9,084,459         |
| Contributions as a percentage of<br>covered payroll                      | 17.84%               | 15.29%               | 13.37%               | 12.54%               | 12.88%               |

\*Amounts do not include on-behalf contributions

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the County School Service Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the County Office of Education's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability/(asset), and the components of the net OPEB liability/(asset) and related ratios, including the OPEB plan's fiduciary net position as a percentage of the net OPEB liability/(asset), and the net OPEB liability/(asset) as a percentage of covered-employee payroll.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for OPEB.

**Changes in Assumptions**

There were no changes in economic assumptions since the previous valuations for OPEB.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education's proportion (percentage) of the collective net pension liability, the County Office of Education's proportionate share (amount) of the collective net pension liability, the County Office of Education's covered payroll, the County Office of Education's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

**Schedule of County Office of Education Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the County Office of Education's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the County Office of Education's covered payroll.

**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued  
 FOR THE YEAR ENDED JUNE 30, 2019**

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2019, the County Office of Education incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

|                                       | <b>Expenditures and Other Uses</b> |               |               |
|---------------------------------------|------------------------------------|---------------|---------------|
|                                       | <b>Budget</b>                      | <b>Actual</b> | <b>Excess</b> |
| County School Service Fund            |                                    |               |               |
| Employee benefits                     | \$ 5,228,050                       | \$ 6,079,539  | \$ 851,489    |
| Special Education Pass-Through Fund   |                                    |               |               |
| Other outgo                           |                                    |               |               |
| Excluding transfers of indirect costs | \$ 4,953,628                       | \$ 5,366,630  | \$ 413,002    |

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## **SUPPLEMENTARY INFORMATION**

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**NAPA COUNTY OFFICE OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

| Federal Grantor/Pass-Through Grantor/Program or Cluster  | CFDA<br>Number | Pass-Through Entity<br>Identifying Number | Federal<br>Expenditures | Expenditures<br>to<br>Subrecipients |
|--|----------------|---|-------------------------|-------------------------------------|
| <b>U. S. DEPARTMENT OF EDUCATION:</b>  |                |   |                         |                                     |
| <i>Passed through California Department of Education:</i>  |                |   |                         |                                     |
| Title I, Part A  |                |   |                         |                                     |
| Title I, Part A, Basic Grants Low-Income and Neglected   | 84.010         | 14329                                     | \$ 72,019               | \$ -                                |
| Title I, Part D, Local Delinquent Programs   | 84.010         | 14357                                     | 83,752                  | -                                   |
| ESSA School Improvement (CSI) Funding For COEs   | 84.010         | 15439                                     | 7,095                   | -                                   |
| Subtotal Title I, Part A   |                |   | <u>162,866</u>          | <u>-</u>                            |
| Title IV, Part B, 21st Century Community Learning Centers Program  | 84.287         | 14349                                     | 1,582,525               | -                                   |
| Special Education Cluster  |                |   |                         |                                     |
| IDEA Basic Local Assistance Entitlement, Part B, Sec 611   | 84.027         | 13379                                     | 3,923,823               | 3,483,823                           |
| IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611                              | 84.027A        | 15197                                     | 225,815                 | 225,815                             |
| IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)   | 84.173         | 13430                                     | 144,862                 | -                                   |
| IDEA Preschool Staff Development, Part B, Sec 619  | 84.173A        | 13431                                     | 931                     | -                                   |
| IDEA Preschool Capacity Building, Part B   | 84.173A        | 13839                                     | 686,315                 | -                                   |
| Special Education: Supporting Inclusive Practices  | 84.027A        | 13693                                     | 481,915                 | -                                   |
| Special Education: Alternative Dispute Resolution, Part B, Sec 611   | 84.173A        | 13007                                     | 50,901                  | -                                   |
| Special Education: Desired Results Access  | 84.173         | 08133                                     | 1,038,829               | -                                   |
| IDEA Mental Health Services Part B, Sec 611 - CALSTAT SIP  | 84.027A        | 15321                                     | 40,620                  | -                                   |
| Subtotal Special Education Cluster   |                |   | <u>6,594,011</u>        | <u>3,709,638</u>                    |
| IDEA Early Intervention Grants, Part C   | 84.181         | 23761                                     | 45,383                  | -                                   |
| Special Education State Improvement Grant [1]  | 84.323         | 14920                                     | 2,190,056               | -                                   |
| Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)                            | 84.048         | 14893                                     | 105,316                 | -                                   |
| Title X McKinney-Vento Homeless Children Assistance Grants   | 84.196         | 14332                                     | 25,000                  | -                                   |
| Carol White PE Grant   | 84.215F        | *   | 450,276                 | -                                   |
| <b>Total U. S. Department of Education</b>   |                |   | <u>11,155,433</u>       | <u>3,709,638</u>                    |
| <b>U. S. DEPARTMENT OF AGRICULTURE:</b>  |                |   |                         |                                     |
| <i>Passed through California Department of Education:</i>  |                |   |                         |                                     |
| Child Nutrition Cluster  |                |   |                         |                                     |
| School Breakfast Program - Needy   | 10.553         | 13526                                     | 19,545                  | -                                   |
| National School Lunch Program  | 10.555         | 13391                                     | 31,183                  | -                                   |
| Summer Food Service Program for Children   | 10.559         | 13004                                     | 61,081                  | -                                   |
| Subtotal Child Nutrition Cluster   |                |   | <u>111,809</u>          | <u>-</u>                            |
| CACFP Claims - Centers and Family Day Care [1]   | 10.558         | 13393                                     | 776,605                 | -                                   |
| <b>Total U. S. Department of Agriculture</b>   |                |   | <u>888,414</u>          | <u>-</u>                            |
| <b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>  |                |   |                         |                                     |
| <i>Direct Aid:</i>   |                |   |                         |                                     |
| Drug Free Communities Support CATALYST Program   | 93.276         | 1H79SP020957_01                           | 120,029                 | -                                   |
| Substance Abuse and Mental Health Services Projects of Regional<br>and National Significance Project AWARE | 93.243         | 1H79SP021940_01                           | 51,842                  | -                                   |
| <i>Passed through California Department of Education:</i>  |                |   |                         |                                     |
| Child Care and Development Block Grant   |                |   |                         |                                     |
| Child Care Initiative Project (CCIP) / Resource & Referral Contracts (CRRP)                                | 93.575         | 13942                                     | 41,215                  | -                                   |
| Federal Local Planning Councils (Contract Prefix CLPC)   | 93.575         | 13946                                     | 53,117                  | -                                   |
| Subtotal Child Care and Development Block Grant  |                |   | <u>94,332</u>           | <u>-</u>                            |
| <i>Passed through California Department of Health Services:</i>  |                |   |                         |                                     |
| Medi-Cal Billing Option  | 93.778         | 10013                                     | 21,545                  | -                                   |
| <b>Total U. S. Department of Health &amp; Human Services</b>   |                |   | <u>287,748</u>          | <u>-</u>                            |

(continued on the following page)



**NAPA COUNTY OFFICE OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
FOR THE YEAR ENDED JUNE 30, 2019**

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>                         | <u>CFDA<br/>Number</u> | <u>Pass-Through Entity<br/>Identifying Number</u> | <u>Federal<br/>Expenditures</u> | <u>Expenditures<br/>to<br/>Subrecipients</u> |
|--|------------------------|---|---------------------------------|--|
| U.S. DEPARTMENT OF TRANSPORTATION:   |                        |   |                                 |  |
| <i>Passed through Napa County Transportation and Planning Agency:</i>                  |                        |   |                                 |  |
| Congestion Mitigation & Air Quality Improvement (Napa County Transportation Authority) | 20.205                 | CML6429(013)                                      | 224,340                         | -  |
| <b>Total U. S. Department of Transportation</b>  |                        |   | <u>224,340</u>                  | <u>-</u>                                     |
| CORPORATION FOR NATIONAL COMMUNITY SERVICE:  |                        |   |                                 |  |
| <i>Passed through California Office of Planning and Research:</i>                      |                        |   |                                 |  |
| Ameri-Corps  |                        |   |                                 |  |
| Ameri-Corps: Cal Serves  | 94.006                 | 14AFHY22_F133                                     | 552,972                         | -  |
| Ameri-Corps: VIP   | 94.006                 | 14ESHY23 X112                                     | 1,248,831                       | -  |
| Ameri-Corps: Cal Serves Prep   | 94.006                 | 14ESHY23 X114                                     | 336,611                         | -  |
| Subtotal Ameri-Corps   |                        |   | <u>2,138,414</u>                | <u>-</u>                                     |
| <b>Total Corporation for National Community Service</b>                                |                        |   | <u>2,138,414</u>                | <u>-</u>                                     |
| <b>Total Federal Expenditures</b>  |                        |   | <u>\$ 14,694,349</u>            | <u>\$ 3,709,638</u>                          |

[1] - Major Program

\* - Pass-Through Entity Identifying Number not available or not applicable

**NAPA COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
 FOR THE YEAR ENDED JUNE 30, 2019**

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|  | <b>Second<br/>Period<br/>Report</b> | <b>Annual<br/>Report</b>            |
|--|-------------------------------------|-------------------------------------|
|  | <b>Certificate No.<br/>FF96B059</b> | <b>Certificate No.<br/>27630E86</b> |
| COUNTY OFFICE OF EDUCATION                           |                                     |                                     |
| Juvenile Halls, Homes, and Camps                     |                                     |                                     |
| Elementary   | 1.73                                | 1.83                                |
| High School  | 14.30                               | 14.75                               |
| Probation Referred, On Probation or Parole, Expelled |                                     |                                     |
| Elementary   | 11.96                               | 13.10                               |
| High School  | 78.97                               | 77.25                               |
| TOTAL COUNTY OFFICE ADA                              | <u>106.96</u>                       | <u>106.93</u>                       |

**NAPA COUNTY OFFICE OF EDUCATION  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

|  | <b>2020 (Budget)</b> | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   |
|--|----------------------|---------------|---------------|---------------|
| County School Service Fund - Budgetary Basis** |                      |               |               |               |
| Revenues And Other Financing Sources           | \$ 37,102,779        | \$ 34,836,287 | \$ 33,928,064 | \$ 33,332,268 |
| Expenditures And Other Financing Uses          | 38,653,504           | 34,737,288    | 33,318,155    | 33,154,114    |
| Net change in Fund Balance                     | \$ (1,550,725)       | \$ 98,999     | \$ 609,909    | \$ 178,154    |
| Ending Fund Balance                            | \$ 9,564,675         | \$ 11,115,400 | \$ 11,016,401 | \$ 10,406,492 |
| Available Reserves*                            | \$ 1,292,946         | \$ 1,462,879  | \$ 1,154,530  | \$ 6,088,230  |
| Available Reserves As A<br>Percentage Of Outgo | 3.34%                | 4.21%         | 3.47%         | 18.36%        |
| Long-term Liabilities                          | \$ 35,021,742        | \$ 35,385,124 | \$ 33,441,997 | \$ 29,421,818 |
| Average Daily<br>Attendance At P-2             | 107                  | 107           | 118           | 131           |

The County School Services Fund balance has increased by \$708,908 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$1,550,725. For a County Office of Education this size, the State recommends available reserves of at least 3% of County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County Office of Education has incurred operating surpluses in each of the past three years, but anticipates incurring an operating deficit during the 2019-20 fiscal year. Total long-term obligations have increased by \$5,963,306 over the past two years.

Average daily attendance has decreased by 24 ADA over the past two years. No change in ADA is anticipated during the 2019-20 fiscal year.

\*Available reserves consist of all unassigned fund balance within the County School Services Fund.

\*\*The actual amounts reported in this schedule are for the County School Services Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Other Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**NAPA COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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|  | <b>County School<br/>Service Fund</b> | <b>Special Reserve<br/>Fund for Other<br/>Than Capital<br/>Outlay Projects</b> | <b>Special Reserve<br/>Fund for Other<br/>Postemployment<br/>Benefits</b> |
|--|---------------------------------------|--|---|
| June 30. 2019. annual financial and budget report fund balance | \$ 11,115,400                         | \$ 5,506,764   | \$ 609,593  |
| Adjustments and reclassifications:                             |                                       |  |   |
| Increase (decrease) in total fund balances:                    |                                       |  |   |
| Fund balance transfer (GASB 54)                                | 6,116,357                             | (5,506,764)  | (609,593)   |
| Net adjustments and reclassifications                          | 6,116,357                             | (5,506,764)  | (609,593)   |
| June 30. 2019. audited financial statement fund balance        | <u>\$ 17,231,757</u>                  | <u>\$ -</u>  | <u>\$ -</u>   |

**NAPA COUNTY OFFICE OF EDUCATION  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2019**

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*The County Office of Education did not sponsor any charter schools for the year ended June 30, 2019.*

**NAPA COUNTY OFFICE OF EDUCATION  
COMBINING BALANCE SHEET  
JUNE 30, 2019**

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|   | Child<br>Development<br>Fund | Cafeteria Fund    | County School<br>Facilities Fund | Non-Major<br>Governmental<br>Funds |
|---|------------------------------|-------------------|----------------------------------|------------------------------------|
| <b>ASSETS</b>                             |                              |                   |                                  |                                    |
| Cash and investments                      | \$ 155,102                   | \$ 133,081        | \$ 52,369                        | \$ 340,552                         |
| Accounts receivable                       | 166,538                      | 228,201           | -                                | 394,739                            |
| <b>Total Assets</b>                       | <b>\$ 321,640</b>            | <b>\$ 361,282</b> | <b>\$ 52,369</b>                 | <b>\$ 735,291</b>                  |
| <b>LIABILITIES</b>                        |                              |                   |                                  |                                    |
| Accrued liabilities                       | \$ 92,336                    | \$ 5,607          | \$ 5,839                         | \$ 103,782                         |
| Unearned revenue                          | 211,699                      | -                 | -                                | 211,699                            |
| <b>Total Liabilities</b>                  | <b>304,035</b>               | <b>5,607</b>      | <b>5,839</b>                     | <b>315,481</b>                     |
| <b>FUND BALANCES</b>                      |                              |                   |                                  |                                    |
| Restricted                                | 17,605                       | 355,675           | 46,530                           | 419,810                            |
| <b>Total Fund Balances</b>                | <b>17,605</b>                | <b>355,675</b>    | <b>46,530</b>                    | <b>419,810</b>                     |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 321,640</b>            | <b>\$ 361,282</b> | <b>\$ 52,369</b>                 | <b>\$ 735,291</b>                  |

See accompanying note to supplementary information.

**NAPA COUNTY OFFICE OF EDUCATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2019**

|  | Child<br>Development<br>Fund | Cafeteria Fund    | County School<br>Facilities Fund | Non-Major<br>Governmental<br>Funds |
|--|------------------------------|-------------------|----------------------------------|------------------------------------|
| <b>REVENUES</b>  |                              |                   |                                  |                                    |
| Federal sources  | \$ 180,003                   | \$ 802,743        | \$ -                             | \$ 982,746                         |
| Other state sources  | 3,060,631                    | 23,612            | -                                | 3,084,243                          |
| Other local sources  | 92,257                       | 3,695             | 3,759                            | 99,711                             |
| <b>Total Revenues</b>  | <u>3,332,891</u>             | <u>830,050</u>    | <u>3,759</u>                     | <u>4,166,700</u>                   |
| <b>EXPENDITURES</b>  |                              |                   |                                  |                                    |
| Current  |                              |                   |                                  |                                    |
| Instruction  | 2,149,582                    | -                 | -                                | 2,149,582                          |
| Instruction-related services                                 |                              |                   |                                  |                                    |
| Instructional supervision and administration                 | 533,185                      | -                 | -                                | 533,185                            |
| Pupil services   |                              |                   |                                  |                                    |
| Food services  | 150,600                      | 778,597           | -                                | 929,197                            |
| All other pupil services                                     | 23,635                       | -                 | -                                | 23,635                             |
| General administration                                       |                              |                   |                                  |                                    |
| All other general administration                             | 276,788                      | 32,532            | -                                | 309,320                            |
| Plant services   | 69,180                       | -                 | -                                | 69,180                             |
| Facilities acquisition and maintenance                       | 156,329                      | -                 | 246,760                          | 403,089                            |
| Community services   | 53,346                       | -                 | -                                | 53,346                             |
| <b>Total Expenditures</b>                                    | <u>3,412,645</u>             | <u>811,129</u>    | <u>246,760</u>                   | <u>4,470,534</u>                   |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>(79,754)</u>              | <u>18,921</u>     | <u>(243,001)</u>                 | <u>(303,834)</u>                   |
| <b>Other Financing Sources (Uses)</b>                        |                              |                   |                                  |                                    |
| Transfers in   | -                            | 15,502            | -                                | 15,502                             |
| <b>Net Financing Sources (Uses)</b>                          | <u>-</u>                     | <u>15,502</u>     | <u>-</u>                         | <u>15,502</u>                      |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <u>(79,754)</u>              | <u>34,423</u>     | <u>(243,001)</u>                 | <u>(288,332)</u>                   |
| <b>Fund Balance - Beginning</b>                              | 97,359                       | 321,252           | 289,531                          | 708,142                            |
| <b>Fund Balance - Ending</b>                                 | <u>\$ 17,605</u>             | <u>\$ 355,675</u> | <u>\$ 46,530</u>                 | <u>\$ 419,810</u>                  |

See accompanying note to supplementary information.

**NAPA COUNTY OFFICE OF EDUCATION  
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
 JUNE 30, 2019**

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The Napa County Office of Education provides coordination of the educational program for the independent school County Office of Educations located in Napa County and also provides professional and financial supervision for three school County Office of Educations under its direct jurisdiction. In addition, the Superintendent maintains special schools and programs countywide independently of the school County Office of Educations.

**GOVERNING BOARD**

| <b>Member</b>      | <b>Office</b>  | <b>Term Expires</b> |
|--------------------|----------------|---------------------|
| Jennifer Kresge    | President      | November 2020       |
| Steve Orndorf      | Vice President | November 2020       |
| Ann Cash           | Member         | November 2022       |
| Dr. James Haslip   | Member         | November 2020       |
| Don J. Huffman     | Member         | November 2022       |
| Janna Waldinger    | Member         | November 2022       |
| Betsinda Biederman | Member         | November 2020       |

**COUNTY OFFICE OF EDUCATION ADMINISTRATORS**

Barbara Nemko, Ph.D.  
*Superintendent*

Joshua Schultz  
*Deputy Superintendent*



**NAPA COUNTY OFFICE OF EDUCATION  
 NOTES TO SUPPLEMENTARY INFORMATION  
 JUNE 30, 2019**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County Office of Education and is presented on the modified accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

|   | CFDA<br>Number | Amount               |
|---|----------------|----------------------|
| Total Federal Revenues reported in the<br>Statement of Revenues, Expenditures, and<br>Changes in Fund Balance |                | \$ 14,680,755        |
| Medi-Cal Billing Option   | 93.778         | <u>13,594</u>        |
| Total Expenditures reported in the Schedule of<br>Expenditures of Federal Awards                              |                | <u>\$ 14,694,349</u> |

The County Office of Education passes-through certain Federal assistance received to other governments (subrecipients). The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. The County Office of Education is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

The County Office of Education has not elected to use the 10 percent de minimis indirect cost rate.

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Financial Trends and Analysis**

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

**NAPA COUNTY OFFICE OF EDUCATION  
NOTES TO SUPPLEMENTARY INFORMATION, continued  
JUNE 30, 2019**

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Schedule of Charter Schools**

This schedule lists all charter schools chartered by the County Office of Education and displays information for each charter school on whether or not the charter school is included in the County Office of Education audit.

**Combining Statements – Non-Major Funds**

These statements provide information on the County Office of Education's non-major funds.

**Local Education Agency Organization Structure**

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

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**OTHER INDEPENDENT AUDITORS' REPORTS**

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**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**

Independent Auditors' Report

Governing Board  
Napa County Office of Education  
Napa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napa County Office of Education, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Napa County Office of Education's basic financial statements, and have issued our report thereon dated December 5, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Napa County Office of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Napa County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Napa 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 Napa County Office of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

*Christy White, Inc.*

San Diego, California  
December 5, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board  
Napa County Office of Education  
Napa, California

**Report on Compliance for Each Major Federal Program**

We have audited Napa County Office of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Napa County Office of Education's major federal programs for the year ended June 30, 2019. Napa County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Napa County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

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

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

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

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

*Christy White, Inc.*

San Diego, California  
December 5, 2019

**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

Governing Board  
Napa County Office of Education  
Napa, California

**Report on State Compliance**

We have audited Napa County Office of Education's compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Napa County Office of Education's state programs for the fiscal year ended June 30, 2019, as identified below.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Napa County Office of Education's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Napa County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Napa County Office of Education's compliance with those requirements.

***Opinion on State Compliance***

In our opinion, Napa County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.



**Procedures Performed**

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

| <b>PROGRAM NAME</b>   | <b>PROCEDURES PERFORMED</b> |
|---|-----------------------------|
| Attendance  | Yes                         |
| Teacher Certification and Misassignments  | Yes                         |
| Kindergarten Continuance  | Not applicable              |
| Independent Study   | Yes                         |
| Continuation Education  | Not applicable              |
| Instructional Time  | Not applicable              |
| Instructional Materials   | Yes                         |
| Ratios of Administrative Employees to Teachers                                      | Not applicable              |
| Classroom Teacher Salaries  | Not applicable              |
| Early Retirement Incentive  | Not applicable              |
| Gann Limit Calculation  | Yes                         |
| School Accountability Report Card   | Yes                         |
| Juvenile Court Schools  | Yes                         |
| Middle or Early College High Schools  | Not applicable              |
| K-3 Grade Span Adjustment   | Not applicable              |
| Transportation Maintenance of Effort  | Yes                         |
| Apprenticeship: Related and Supplemental Instruction                                | Not applicable              |
| Comprehensive School Safety Plan  | Yes                         |
| District of Choice  | Not applicable              |
| California Clean Energy Jobs Act  | Yes                         |
| After/Before School Education and Safety Program                                    | Yes                         |
| Proper Expenditure of Education Protection Account Funds                            | Yes                         |
| Unduplicated Local Control Funding Formula Pupil Counts                             | Yes                         |
| Local Control and Accountability Plan   | Yes                         |
| Independent Study-Course Based  | Not Applicable              |
| Attendance; for charter schools   | Not Applicable              |
| Mode of Instruction; for charter schools  | Not Applicable              |
| Nonclassroom-Based Instruction/Independent Study;<br>for charter schools            | Not Applicable              |
| Determination of Funding for Nonclassroom-Based<br>Instruction; for charter schools | Not Applicable              |
| Annual Instructional Minutes – Classroom Based; for<br>charter schools              | Not Applicable              |
| Charter School Facility Grant Program   | Not Applicable              |

*Christy White, Inc.*

San Diego, California  
December 5, 2019

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**NAPA COUNTY OFFICE OF EDUCATION  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

|  |                      |
|--|----------------------|
| Type of auditors' report issued:                       | <u>Unmodified</u>    |
| Internal control over financial reporting:             |                      |
| Material weakness(es) identified?                      | <u>No</u>            |
| Significant deficiency(ies) identified?                | <u>None Reported</u> |
| Non-compliance material to financial statements noted? | <u>No</u>            |

**FEDERAL AWARDS**

|   |                      |
|---|----------------------|
| Internal control over major program:  |                      |
| Material weakness(es) identified?   | <u>No</u>            |
| Significant deficiency(ies) identified?   | <u>None Reported</u> |
| Type of auditors' report issued:  | <u>Unmodified</u>    |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)? | <u>No</u>            |
| Identification of major programs:   |                      |

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u>         |
|-----------------------|---|
| <u>84.323</u>         | <u>Special Education State Improvement Grant</u>  |
| <u>10.558</u>         | <u>CACFP Claims - Centers and Family Day Care</u> |

|  |                   |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee?                                   | <u>Yes</u>        |

**STATE AWARDS**

|   |                      |
|---|----------------------|
| Internal control over state programs:                             |                      |
| Material weaknesses identified?                                   | <u>No</u>            |
| Significant deficiency(ies) identified?                           | <u>None Reported</u> |
| Type of auditors' report issued on compliance for state programs: | <u>Unmodified</u>    |

**NAPA COUNTY OFFICE OF EDUCATION  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**

20000  
30000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control

*There were no financial statement findings for the year ended June 30, 2019.*

**NAPA COUNTY OFFICE OF EDUCATION  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**

50000

**AB 3627 FINDING TYPE**

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2019.*

**NAPA COUNTY OFFICE OF EDUCATION  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
43000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Apprenticeship: Related and Supplemental Instruction  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

***There were no state award findings or questioned costs for the year ended June 30, 2019.***

**NAPA COUNTY OFFICE OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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*There were no financial statement findings for the year ended June 30, 2018*