



Santa Cruz County Board of Education • 400 Encinal Street, Santa Cruz, CA 95060 • Tel (831) 466-5900 • www.santacruzcoe.org
Ms. Jane Royer Barr • Ms. Rose Filicetti • Ms. Sandra Nichols • Ms. Sue Roth • Mr. Dana Sales
Mr. Abel Sanchez • Mr. Bruce Van Allen

Santa Cruz County Board of Education

Regular Board Meeting

Thursday January 16, 2020

Closed Session: 3:45 P.M.

Open Session 4:00 P.M.,

or as soon thereafter as the matter can be heard

Board Room

AGENDA

1. CALL TO ORDER, ROLL CALL AND ESTABLISHMENT OF QUORUM

Sue Roth (President), Jane Royer Barr, Rose Filicetti, Sandra Nichols, Dana Sales, Abel Sanchez,
Bruce Van Allen
Faris Sabbah, Secretary

2. CLOSED SESSION DISCLOSURE

President Roth will disclose that the Board will, in closed session, discuss matters relating to one claim for damage as noted in item 3.1. Comments from the public will be taken prior to commencing closed session.

3. CLOSED SESSION

3.1 Claim for Damage

Pursuant to Govt. Code § 54956.9, the Board will meet and confer in closed session to receive information which, based on existing facts and circumstances, presents one claim for damages against the Santa Cruz County Office of Education.

Presenter: Mary Hart, Deputy Superintendent, Business Services

4. OPEN SESSION

Open session will begin at 4:00 P.M., or as soon thereafter as the matter can be heard.

5. PLEDGE OF ALLEGIANCE

Superintendent Sabbah (Secretary) will lead the Pledge of Allegiance.

6. APPROVAL OF AGENDA

Agenda deletions and/or changes of sequence will be approved or the agenda will be approved as submitted.

7. REPORT OUT ON CLOSED SESSION

The Board President will report out on any reportable action(s) taken by the Board in Closed Session.

8. PUBLIC COMMENT

This is an opportunity for the public to address the Board regarding items not on the agenda. The Board President will recognize any member of the audience not previously placed on the agenda who wishes to speak on a matter directly related to school business. Each speaker, on any specific topic, may speak up **three (3) minutes** unless otherwise limited or extended by the President. The President may allot time to those wishing to speak but no action will be taken on matters presented (EDC § 35145.5). If appropriate, the President, or any Member of the Board, may direct that a matter be referred to the Superintendent's Office for placement on a future agenda. Please refer to item, Please Note, on the last item of this agenda.

9. CONSENT AGENDA

All items appearing on the consent agenda are recommended actions which are considered to be routine in nature and will be acted upon as one motion. Specific items may be removed for separate consideration. Item(s) removed will be considered immediately following the consent agenda motion as Deferred Consent Items.

- 9.0.1 Minutes of the Regular Board Meeting of December 17, 2019
- 9.0.2 Routine Budget Revisions
- 9.0.3 Donations

9.1 DEFERRED CONSENT ITEMS (if required)

This item is placed on the agenda to address any items that might be pulled from Agenda Item 5.0 for further discussion/consideration if so determined.

10. CORRESPONDENCE

Official correspondence received by the Board is included herein.

11. REPORTS, DISCUSSIONS, AND PRESENTATIONS

11.1 2018-2019 Fiscal Year Annual Audit Report

The Board will be provided with the 2018-2019 final, audited, prior-year financial statements, which the Santa Cruz County Office of Education is required to file with the California Department of Education and the State Controller's Office.

Presenters: Rebecca Olker, Senior Director, Fiscal Services
Jill Stenton, Partner, Eide Bailly LLP

11.2 Charter Legislation Training by Counsel

A number of new pieces of legislation will revise several governing provisions pertaining to charter schools regarding the ways in which petitions are submitted, appealed, and revoked. They will also specify new criteria and procedures for the consideration and determination of these issues. The Board will receive a training on these new laws in order to understand changes to existing law.

Presenter: Edward Sklar, Attorney, Lozano Smith

11.3 Young Writers Program (YWP)

The Board will receive a presentation about updates and accomplishments of the COE Young Writers Program (YWP). The presentation will explain who the program has served, the role it has taken in our community, and highlight the publications that students have produced through this program.

Presenters: Julia Chiapella, Director, YWP
Michele Delibert, Teacher, Sequoia High School
YWP Student

11.4 Extension Granted to Review And Approve PCS Memorandum of Understanding

The County Superintendent of Schools will announce that Pacific Collegiate Charter School has requested additional time to review Santa Cruz COE's proposed Memorandum of Understanding required to approve the Petition to Renew Pacific Collegiate Charter School, which was originally due to the Santa Cruz County Board of Education on January 16, 2020. The Board will now review the executed MOU at the next regular meeting on February 20, 2020.

Presenter: Dr. Faris Sabbah, County Superintendent of Schools

12. PUBLIC HEARINGS, NEW BUSINESS, AND ACTION ITEMS

12.1 Interdistrict Transfer Appeal Hearing #20-01

The Board will hold an Interdistrict Transfer Appeal Hearing concerning a student wishing to attend school in the Scotts Valley Unified School District.

12.2 Approve Resolution #20-01 in Support of Proposition 13

The Board will be asked to adopt Resolution #20-01 in support of Proposition 13: Public Preschool, K-12, and College Health and Safety Bond Act of 2020. The funds would provide resources for the renovation and upgrade of existing classrooms and laboratories that enhance teaching and learning, for the construction and expansion of schools to accommodate growth, and for career technical education facilities to enhance job and career training. If the bond passes, it would provide \$15 billion for facilities at the state's preschools, k-12 schools, community colleges, and four year colleges and universities.

Presenter: Board Community Outreach & Legislative Committee

12.3 Approve Resolution #20-02 in Support of Measures T and U (SCCS)

The Board will be asked to adopt Resolution #20-02 in Support of Measure T & U for our local high schools. The purpose of both measures would be to protect and maintain the quality of education of Santa Cruz City Schools' (SCCS) high schools. The passing of Measure T would continue previously approved, locally controlled funding, keeping overall tax rates flat. Measure U would renew existing locally-controlled funding for instructional enrichment and student-support services, and would implement an \$18/year parcel tax.

Presenter: Board Community Outreach & Legislative Committee

13. SUPERINTENDENT'S REPORT

County Superintendent of Schools, Dr. Faris M. Sabbah, will provide an update on activities and matters of interest.

14. TRUSTEE REPORTS (3 minutes each)

Trustees will report on matters, events, and activities as related to Board goals of: Advocating for students, maintaining community relations, and promoting student achievement.

15. AD HOC COMMITTEE REPORTS/ACTIONS (if any)

11.1 Community Outreach and Legislative Committee Update

The committee will update the Board on recent and upcoming legislative policy changes.

16. SCHEDULE OF MEETINGS AND COMING EVENTS

Delivering on Our Promise: The Santa Cruz COE's Strategic Plan for Education
Watsonville Civic Plaza, 275 Main St., Watsonville CA 95076
January 21, 2019
5:00 p.m. - 7:00 p.m.

Santa Cruz County Civics Summit
Cabrillo College Crocker Theater
January 24, 2020
9:00 a.m. - 2:00 p.m.

Delivering on Our Promise: The Santa Cruz COE's Strategic Plan for Education
Santa Cruz Museum of Art & History, 705 Front St., Santa Cruz CA 95060
January 28, 2019
5:00 p.m. - 7:00 p.m.

17. ADJOURNMENT

The Board President will adjourn the meeting.

PLEASE NOTE:

Public Participation:

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Backup Documentation:

Any writings or documents that are public records and are provided to a majority of the governing board regarding an open session item on this agenda will be made available for public inspection in the County Office of Education, located 400 Encinal Street, Santa Cruz, CA 95060, during normal business hours.

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ADA Compliance:

In compliance with Government Code section 54954.2 (a), The Santa Cruz County Office of Education will, on request, make this agenda available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact Sage Leibenson, Administrative Aide to the Superintendent, 400 Encinal St., Santa Cruz, CA 95060, (831) 466-5900.



SANTA CRUZ
COUNTY OFFICE OF
EDUCATION
DR. FARIS SABBABH • SUPERINTENDENT OF SCHOOLS

SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

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Action

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Information

TO: Dr. Faris Sabbah, County Superintendent of Schools

FROM: Mary Hart, Deputy Superintendent, Business

SUBJECT: Claim for Damage (CLOSED SESSION)

BACKGROUND

Pursuant to Govt. Code § 54956.9, the Board will meet and confer in closed session to receive information which, based on existing facts and circumstances, presents one claim for damages against the Santa Cruz County Office of Education.



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SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

☒ X

Action



Information

TO: Dr. Faris Sabbah, County Superintendent of Schools

FROM: Mary Hart, Deputy Superintendent, Business

SUBJECT: Dec. 17, 2019 Minutes

BACKGROUND

Minutes of the Regular Dec. 17, 2019 meeting of the County Board of Education.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Approve the minutes.

FUNDING IMPLICATIONS

None.



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Mr. Abel Sanchez • Mr. Bruce Van Allen

Santa Cruz County Board of Education
Regular Board Meeting
Tuesday December 17, 2019
Closed Session 3:00 p.m.
Open Session 4:00 p.m.
Board Room

UNAPPROVED MINUTES

1. CALL TO ORDER, ROLL CALL AND ESTABLISHMENT OF QUORUM

Board Present

Jane Royer Barr
Rose Filicetti
Sandra Nichols
Sue Roth
Abel Sanchez
Bruce Van Allen
Dana Sales (President)
Faris Sabbah (Secretary)

Staff Present

Debi Bodenheimer
Mary Hart
Sage Leibenson

Absent

None

2. CLOSED SESSION DISCLOSURE

The Board President disclosed that the Board would, in closed session, hold an expulsion hearing and discuss matters relating to potential litigation as noted in items 3.1 through 3.3.

The Board President asked if any members of the public would like to comment prior to commencing closed session. No comments were made.

Presenter: Dana Sales (President)

Santa Cruz County Board of Education

Minutes, Regular Meeting

December 17, 2019

3. CLOSED SESSION

3.1 Expulsion Appeal

The Santa Cruz County Board of Education conducted a closed hearing regarding Scotts Valley Unified School District's (SVUSD) decision to expel a student (Pupil Appeal #19-02) and was asked to either approve or deny the appeal of SVUSD's decision to expel the student from Scotts Valley High School.

3.2 Conference Call Regarding Potential Litigation, Real Property

The Board conferred with Legal Counsel regarding initiation of anticipated litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9. (1 Case)

3.3 Conference Call Regarding Potential Litigation

Pursuant to Government Code § 54956.9, the Board conferred in closed session to receive information which, based on existing facts and circumstances, presents one case of potential litigation against the County Board of Education. (1 Case)

4. OPEN SESSION

Open session commenced at 4:40 p.m.

5. PLEDGE OF ALLEGIANCE

Superintendent Sabbah (Secretary) led the Pledge of Allegiance.

6. APPROVAL OF AGENDA

Agenda deletions and/or changes of sequence will be approved or the agenda will be approved as submitted.

Trustee Nichols requested the word "chairperson" be corrected to "representatives" in item #9.7.

It was M.S.C. (Filicetti/Barr) to approve the agenda as amended.

Ayes:	Barr, Filicetti, Nichols, Roth, Sales, Sanchez, Van Allen
Nays:	None
Abstain:	None
Absent:	None

7. REPORT OUT ON CLOSED SESSION

President Sales reported that in closed session, the Board upheld the governing district's decision regarding the Pupil Appeal #19-02 with a 6-1 vote and conferred with legal counsel regarding item 3.2 pursuant to Government Code § 54956.9. President Sales also reported that President 3.3 was not discussed.

Santa Cruz County Board of Education

Minutes, Regular Meeting

December 17, 2019

8. PUBLIC COMMENT

President Sales acknowledged a new piece of correspondence from Andy Tatum regarding the PCS charter renewal.

Jason Miller, a member of the public, made a comment in response to Mr. Shulman's letter to the Board which was included in this month's Board packet.

9. ANNUAL ORGANIZATION OF THE BOARD

The Board must organize a meeting held each year by electing one of their members as president of the Board. The meeting must be on the first meeting on or after the last Friday in November (EDC § 1009).

9.1 Nominations for President of the Board

Dana Sales (President) called for nominations for Board President.

Trustee Barr nominated Trustee Roth for Board President. Trustee Filicetti seconded this nomination.

9.2 Election of the Board President

It was M.S.C. (Barr/Filicetti) to elect Trustee Roth as Board President.

Ayes:	Barr, Filicetti, Nichols, Roth, Sales, Sanchez, Van Allen
Nays:	None
Abstain:	None
Absent:	None

9.3 Nominations for the Vice President of the Board

Trustee Roth called for nominations of the Vice President.

Trustee Roth nominated Trustee Filicetti for Vice President.

9.4 Election of Board Vice President

It was M.S.C. to elect Trustee Filicetti for Board Vice President.

Ayes:	Barr, Filicetti, Nichols, Roth, Sales, Sanchez, Van Allen
Nays:	None
Abstain:	None
Absent:	None

9.5 Seating of New Officers of the Board of Trustees

New officers were seated.

Santa Cruz County Board of Education

Minutes, Regular Meeting

December 17, 2019

9.6 Appointment of Chairperson, County Committee on School District Organization

The Board appointed Trustee Sales as chairperson to the County Committee on School District Organization.

9.7 Appointment of Representatives to the Santa Cruz County School Board Association (SCZCSBA)

The Board appointed trustees Roth and Filicetti as representatives to the Santa Cruz County School Board Association.

9.8 Establishment of Regular Meetings of the Board

The Board discussed the day of the month and the time for regular meetings of the County Board of Education.

It was M.S.C. (Sales/Filicetti) to designate the third Thursday of each month at 4:00 p.m. for regular meetings of the Santa Cruz County Board of Education.

Ayes:	Barr, Filicetti, Nichols, Roth, Sales, Sanchez, Van Allen
Nays:	None
Abstain:	None
Absent:	None

9.9 Appointments to Standing Committees

9.9.1 Agenda Committee

Trustees Roth, Filicetti, and Barr

9.10 Appointments to Ad Hoc Committees

9.10.1 Board Budget Committee

Trustees Barr, Sales, and Sanchez

9.10.2 Policy Committee

Trustees Filicetti, Van Allen, and Sales

9.10.3 Charter Schools Committee

Trustees Barr, Roth, and Sanchez

9.10.4 Community Outreach and Legislative Committee

Trustees Filicetti, Nichols, and Van Allen

9.10.5 Property Acquisition Committee

Trustees Barr and Sales

Santa Cruz County Board of Education

Minutes, Regular Meeting

December 17, 2019

9.10.6 Other committee(s) as determined

None.

10. CONSENT AGENDA

All items appearing on the consent agenda are recommended actions which are considered to be routine in nature and will be acted upon as one motion. Specific items may be removed for separate consideration. Item(s) removed will be considered immediately following the consent agenda motion as Deferred Consent Items.

10.0.1 Minutes of the Regular Board Meeting of November 21, 2019

10.0.2 Routine Budget Revisions

10.0.3 Donations

It was M.S.C. (Filicetti/Sales) to approve the consent agenda.

Ayes: Barr, Filicetti, Nichols, Roth, Sales, Sanchez, Van Allen

Nays: None

Abstain: None

Absent: None

10.1 Deferred Consent Items (if required)

None.

11. CORRESPONDENCE

Official correspondence received by the Board, if any, was included herein. Copies of correspondence received within 72 hours of the meeting was made available at the meeting location.

12. REPORTS, DISCUSSIONS, AND PRESENTATIONS

12.1 First Interim Financial Report

In accordance with Education Code § 1240(L), the Superintendent is required to certify the first interim financial report after a review by the Board in open session. Mary Hart, Deputy Superintendent of Business Services, gave a presentation to the Board regarding this report. The Board had an opportunity to ask questions of staff regarding this report.

12.2 Proposal for Data Storage, Backup, and Recovery Plan

Jason Borgen and Joey Stanbra presented the plan to upgrade antiquated data center infrastructure. Santa Cruz COE's Storage Area Network, Backup Systems, and Disaster Recovery do not meet today's standards. The presentation provided an overview of the current infrastructure, the research and criteria developed in the evaluation process and the new systemic plan for redundant and seamless access to the most important digital resources provided to the Santa Cruz COE and our districts. The Board had an opportunity to ask questions of staff regarding this report.

Santa Cruz County Board of Education

Minutes, Regular Meeting

December 17, 2019

13. PUBLIC HEARINGS, NEW BUSINESS, AND ACTION ITEMS

13.1 Approval of the 2019-2020 Budget Calendar

The Board was asked to approve the 2019-2020 Budget Development Process and Single Budget Adoption Timelines as submitted and recommended by administration.

It was M.S.C. (Nichols/Filicetti) to approve the 2019-2020 Budget Development Process and Single Budget Adoption Timelines.

Ayes:	Barr, Filicetti, Nichols, Roth, Sales, Sanchez, Van Allen
Nays:	None
Abstain:	None
Absent:	None

13.2 Petition to Renew Pacific Collegiate Charter School

The Board was asked to either approve (Resolution #19-18) or deny (Resolution #19-19) the petition to renew Pacific Collegiate Charter School (PCS).

President Roth gave a brief overview of the process for item 13.2. Following this, Associate Superintendent of Educational Services, Debi Bodenheimer gave an overview and explanation of findings from the COE Staff report regarding this petition. Edward Sklar, Santa Cruz COE Legal Counsel, gave a brief overview of the legal procedure required for the Charter Renewal process. Following this, the lead petitioner, Maria Reitano, PCS Head of School, gave a five minute presentation regarding the renewal petition. The public then had an opportunity to make comments relating to this item, but no comments were made. The Board then had an opportunity to ask questions of staff, legal counsel, or the Petitioner. Following this, the Board deliberated on this item.

It was M.S.C. (Barr/Sanchez) to approve Resolution #19-18 conditionally granting the Petition to Renew Pacific Collegiate Charter School pending the execution of a Memorandum of Understanding no later than January 16, 2020.

Ayes:	Barr, Filicetti, Nichols, Roth, Sales, Sanchez, Van Allen
Nays:	None
Abstain:	None
Absent:	None

13.3 Petition for Material Revision to Pacific Collegiate Charter School

The Board will be asked to either approve (Resolution #19-20) or deny (Resolution #19-21) the petition for a material revision to Pacific Collegiate Charter School.

President Roth gave a brief overview of the process for item 13.3. Following this, Associate Superintendent of Educational Services, Debi Bodenheimer gave an overview and explanation of findings from the COE Staff report regarding this petition. Edward Sklar, Santa Cruz COE Legal Counsel, gave a brief overview about the current laws regarding petitions for material revisions to charters. Following this, the lead petitioner, Maria Reitano, PCS Head of School, gave a five minute presentation regarding the petition for material revision. The public then had an opportunity to make comments relating to this item. Enrico Ramirez-Ruiz, Ken Olsen,

Santa Cruz County Board of Education

Minutes, Regular Meeting

December 17, 2019

Jason Miller, Lauren Friend, and Tom Morrell made comments. The Board then had an opportunity to ask questions of staff, legal counsel, or the Petitioner. Following this, the Board deliberated on this item.

It was M.S.C. (Barr/Nichols) to approve Resolution #19-21 to deny the Petition for a Material Revision to Pacific Collegiate Charter School.

Ayes:	Barr, Filicetti, Nichols, Roth, Van Allen
Nays:	Sanchez, Sales
Abstain:	None
Absent:	None

14. SUPERINTENDENT'S REPORT

County Superintendent of Schools, Dr. Faris M. Sabbah, provided an update on activities and matters of interest.

15. TRUSTEE REPORTS (3 minutes each)

Trustee Filicetti attended a Santa Cruz Chamber Luncheon featuring guest speaker Lenny Mendonca, CA State Chief Economic and Business Advisor, CSBA Delegate Assembly, Including the Region 9 Caucus Breakfast, AND the Annual Conference of the California School Board Association. She also attended the second meeting of the Cabrillo College Bond Advisory Committee.

Trustee Sanchez attended meetings of the Charter Subcommittee and the Annual Conference of the California School Boards Association.

Trustee Roth attended a meeting of the Policy Committee, Charter Subcommittee, and the Annual Conference of the California School Boards Association.

Trustee Sales attended a meeting of the Agenda Committee and Annual Conference of the California School Boards Association.

Trustee Van Allen attended a meeting of the Policy Committee.

Trustee Nichols attended a meeting of the Policy Committee.

Trustee Barr attended meetings of the Charter Subcommittee and the Annual Conference of the California School Boards Association.

16. AD HOC COMMITTEE REPORTS/ACTIONS (if any)

None.

12. ADDITIONS, IF ANY, TO FUTURE BOARD AGENDA ITEMS

None.

Santa Cruz County Board of Education

Minutes, Regular Meeting

December 17, 2019

13. SCHEDULE OF MEETINGS AND COMING EVENTS

Alt. Ed Graduations

Sequoia High School, 229 Green Valley Rd., Freedom CA 95019

January 14, 2020

10:00 am, 1:30 a.m.

Alt. Ed Graduations

Portuguese Hall, Santa Cruz, 216 Evergreen St., Santa Cruz CA 95060

January 15, 2020

9:00 am, 1:00 p.m.

Delivering on Our Promise: The Santa Cruz COE's Strategic Plan for Education

Watsonville Civic Plaza, 275 Main St., Watsonville CA 95076

January 21, 2019

5:00 p.m. - 7:00 p.m.

Santa Cruz County Civics Summit

Cabrillo College Crocker Theater

January 24, 2020

9:00 a.m. - 2:00 p.m.

Delivering on Our Promise: The Santa Cruz COE's Strategic Plan for Education

Santa Cruz Museum of Art & History, 705 Front St., Santa Cruz CA 95060

January 28, 2019

5:00 p.m. - 7:00 p.m.

14. ADJOURNMENT

The Board President adjourned the meeting at 8:06 p.m.

Santa Cruz County Board of Education

Minutes, Regular Meeting

December 17, 2019

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SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

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Action



Information

TO: Santa Cruz County Board of Education
FROM: Melissa Lopez, Director, Fiscal Services
SUBJECT: Routine Budget Revisions

BACKGROUND

Adjusts the 19-20 Spending Plan.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Approve the routine budget revisions.

FISCAL IMPLICATIONS:

Detailed herein.



Dr. Faris Sabbah, Superintendent • 400 Encinal Street, Santa Cruz, CA 95060 • 831-466-5600 • FAX 831-466-5607 • www.santacruzcoe.org

MEMO

DATE: January 16, 2020

TO: Santa Cruz County Board of Education
Dr. Faris Sabbah, County Superintendent of Schools

FROM: Mary Hart *ml*
Deputy Superintendent, Business Services
Melissa Lopez
Director of Fiscal Services

RE: December Budget Revisions

Budget revisions in December reflected an increase in projected revenues in the amount of \$79,594 and an increase in expenditures in the amount of \$178,645, resulting in a net decrease to fund balance of \$99,051.

There were adjustments made to revenue, services and supplies necessary to more closely match projected estimates for the year, which were the result of communications with departments and fiscal analysis. Included in these changes are adjustments to account for increased revenue for Ed Services (\$6,160) and projected increased revenue for Outdoor Science School (\$73,434). Expenditure changes include setting up budgets for the Behavioral Health Initiative (\$40,000) and Homeless Student Advocacy (\$115,000).

Should you have any questions, please feel free to contact us.

MH:ml
3 attachments

cc: Rebecca Olker

Santa Cruz County Office of Education
Budget Variance Summary for December, 2019
January 16, 2020 Board Meeting

	2019-2020	2019-20	DECEMBER		2019-20
Description	Adopted Budget	Board Meeting 12/17/19	Unrestricted	Restricted	Board Meeting 01/16/20
REVENUE					
Local Control Funding Formula	27,942,549	28,813,209	-	-	28,813,209
Federal Revenues	6,890,894	7,020,599	-	-	7,020,599
State Revenues	7,366,389	6,692,876	-	-	6,692,876
Local Revenues	9,029,508	9,727,479	-	79,594	9,807,073
Contributions	-	-	-	-	-
TOTAL REVENUE	51,229,339	52,254,163	-	79,594	52,333,757
EXPENDITURES					
Certificated Salaries	10,305,237	10,351,868	-	-	10,351,868
Classified Salaries	12,326,728	12,213,934	-	-	12,213,934
Employee Benefits	13,167,744	12,933,577	(0)	(0)	12,933,577
Books and Supplies	1,824,785	3,072,710	188,213	3,560	3,264,483
Services, Other Operating Expenses	9,627,325	10,532,377	323,017	6,600	10,861,994
Capital Outlay	1,671,300	2,028,883	(347,300)	-	1,681,583
Other Outgo	(92,842)	(93,416)	4,555	-	(88,861)
Interprogram Support	5,724,756	5,724,756	-	-	5,724,756
TOTAL EXPENDITURES	54,555,033	56,764,689	168,485	10,160	56,943,334
INTERFUND TRANSFERS					
Transfers In	-	-	-	-	-
Transfers Out	31,000	385,233	-	-	385,233
TOTAL INTERFUND TRANSFERS	31,000	385,233	-	-	385,233
FUND BALANCE					
Beginning Fund Balance	27,366,002	27,366,002	-	-	27,366,002
Net Increase/(Decrease)	(3,356,693)	(4,895,759)	(168,485)	69,434	(4,994,810)
ENDING FUND BALANCE	24,009,309	22,470,243	(168,485)	69,434	22,371,192
Pacheco Bill Compliance:					
There were no individual consulting agreements in excess of \$25,000 that required a budget revision during the month of December, 2019.					

Budget Variance Detail for
December, 2019
January 16, 2020 Board Meeting

			2019-20	2019-20	Variance		2019-20
Description (Object Code Range)	Res	Program	Adopted Budget	Board Meeting 12/17/19	Unrestricted	Restricted	Board Meeting 01/16/20
REVENUE							
Local Control Funding Formula (8010-8099)			27,942,549	28,813,209			
Total Local Control Funding Formula			27,942,549	28,813,209	-	-	28,813,209
Federal Revenues (8100-8299)			6,890,894	7,020,599			
Total Federal Revenues			6,890,894	7,020,599	-	-	7,020,599
State Revenues (8300-8599)			7,366,389	6,692,876			
Total State Revenues			7,366,389	6,692,876	-	-	6,692,876
Local Revenues (8600-8799)			9,029,508	9,727,479			
INCREASE REVENUE AMERICAN CAMPING ASSOC	9010	OTHER RESTRICTED LOCAL				79,594	
Total Local Revenues			9,029,508	9,727,479	-	79,594	9,807,073
Other Financing Sources (8900-8997)							
Total Other Financing Sources			-	-	-	-	-
TOTAL REVENUE			51,229,339	52,254,163	-	79,594	52,333,757
EXPENDITURES							
Certificated Salaries (1000-1999)			10,305,237	10,351,869			
Total Certificated Salaries			10,305,237	10,351,869	-	-	10,351,869
Classified Salaries (2000-2999)			12,326,728	12,213,934			
Total Classified Salaries			12,326,728	12,213,934	-	-	12,213,934
Employee Benefits (3000-3999)			13,167,744	12,933,577			
Total Employee Benefits			13,167,744	12,933,577	(0)	(0)	12,933,577
Books and Supplies (4000-4999)			1,824,785	3,072,710			
Update Salaries	0050	Operations			(7,012)		
Update Salaries	0060	Administration			2,457		
Update Salaries	0090	EDUCATION & ADMIN OPERATIONS			116,484		
Update Salaries	1100	LOTTERY: UNRESTRICTED			76,284		
Update Salaries	6500	SPECIAL EDUCATION				(3,100)	
Update Salaries	9010	OTHER RESTRICTED LOCAL				6,160	
Update Salaries	9064	S4C				500	
Total Books and Supplies			1,824,785	3,072,710	188,213	3,560	3,264,483
Services, Other Operating Expenses (5000-5999)			9,627,325	10,532,377			
Increase to cover EWR	0090	EDUCATION & ADMIN OPERATIONS			52,001		
CHRYSLIS-NETWORKING/VOICE UPGRADE PROJECT	1100	LOTTERY: UNRESTRICTED			271,016		
Adjust Indirects	6500	SPECIAL EDUCATION				3,100	
Increase for travel expenses and San Diego Region 5 summit	9010	OTHER RESTRICTED LOCAL				4,000	
Return unspent funds	9064	S4C				(500)	

Budget Variance Detail for
December, 2019
January 16, 2020 Board Meeting

			2019-20	2019-20	Variance		2019-20
Description (Object Code Range)	Res	Program	Adopted Budget	Board Meeting 12/17/19	Unrestricted	Restricted	Board Meeting 01/16/20
Total Services, Other Operating Expenses			9,627,325	10,532,377	323,017	6,600	10,861,994
Capital Outlay (6000-6999)			1,671,300	2,028,883			
Add funds for Data Storage Refresh project	1100	LOTTERY: UNRESTRICTED			(347,300)		
Total Capital Outlay			1,671,300	2,028,883	(347,300)	-	1,681,583
Other Outgo (7100-7299, 7400-7499)			5,724,756	5,724,756			
Total Other Outgo			5,724,756	5,724,756	-	-	5,724,756
Interprogram Support Services (7300-7399)			(92,842)	(93,416)			
CORRECT INDIRECT TO EXCLUDE SUB-AWARD	0050	Operations			7,012		
ADJUST INDIRECTS	0060	Administration			(2,457)		
Total Interprogram Support			(92,842)	(93,416)	4,555	-	(88,861)
Interfund Transfers Out (7600-7629)			31,000	385,233			
LCFF Revenue for Cypress	0090	EDUCATION & ADMIN OPERATIONS					
Total Interfund Transfers Out			31,000	385,233	-	-	385,233
TOTAL EXPENDITURES			54,586,033	57,149,922	168,485	10,160	57,328,567
BEGINNING FUND BALANCE			27,366,002	27,366,002			27,366,002
NET INCREASE (DECREASE) IN FUND BALANCE			(3,356,693)	(4,895,759)	(168,485)	69,434	(4,994,810)
ENDING FUND BALANCE			24,009,309	22,470,243			22,371,192



SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

☒

Action



Information

TO: Dr. Faris Sabbah, County Superintendent of Schools

FROM: Mary Hart, Deputy Superintendent, Business

SUBJECT: Gifts and Donations

BACKGROUND

County Board of Education Policy P-3280 requires that all gifts and donations received by programs conducted by the County Superintendent of Schools be accepted by the County Board of Education.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Accept gifts and donations as follows:

<u>Program</u>	<u>Donor</u>	<u>Value</u>
2020 Science Fair	Poly	\$50,000
2020 Civics Summit	County of Santa Cruz	\$250
Special Education	Rotary Club of Santa Cruz County	\$500
2020 Civics Summit	Democratic Women's Club Of Santa Cruz County	\$250

Santa Cruz County Board of Education
Donations
January 16 2019

2020 Civics Summit	City of Capitola	\$100
Cypress High School	CollegeBoard	\$1,660
2020 Civics Summit	Cynthia and William Mathews	\$100
2020 Civics Summit	Santa Cruz Women's Collective	\$1000
2020 Civics Summit	Democratic Club of North Santa Cruz County	\$250
2020 Civics Summit	Peoples Democratic Club of Santa Cruz	\$100
Special Education	Rotary Club of Santa Cruz Sunrise Foundation, Inc.	\$500
Alt. Ed Program	Strongmind, Inc.	\$2,000
2020 Civics Summit	John Laird for Senate 2020	\$250
2020 Civics Summit	Friends of Mark Stone for Assembly 2020	\$250

FUNDING IMPLICATIONS

Gifts/Donations received will be utilized by the programs to which they are donated.



SANTA CRUZ
COUNTY OFFICE OF
EDUCATION
DR. FARIS SABBABH • SUPERINTENDENT OF SCHOOLS

SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

☐

Action

☒

Information

TO: Santa Cruz County Office of Education

FROM: Dr. Faris Sabbah, County Superintendent of Schools

SUBJECT: Correspondence

BACKGROUND

Official correspondence received by the Board is included herein.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Receive correspondence.

**BOARD OF EDUCATION**

Ms. Jane Royer Barr
Ms. Rose Filicetti
Ms. Sandra Nichols
Ms. Sue Roth
Mr. Dana M. Sales
Mr. Abel Sanchez
Mr. Bruce Van Allen

400 Encinal Street, Santa Cruz, CA 95060 • Tel (831) 466-5600 • Fax (831) 466-5607 • www.santacruzcoe.org

January 7, 2020

Sent via email to sleibenson@santacruzcoe.org

Sue Roth
Board President
Santa Cruz County Office of Education
400 Encinal Street
Santa Cruz, CA 95060

RE: Eligibility for Assistance under California's Accountability System

Dear Board President Sue Roth,

Based on a review of student group performance on Dashboard indicators, the Santa Cruz County Office of Education is eligible for Differentiated Assistance. We are contacting you to:

- Provide background and/or updates on California's new approach to assistance;
- Explain your district's status based on the December 2019 Dashboard release; and
- Explain what you can expect from us in the coming weeks and months.

Under California's Local Control Funding Formula (LCFF), County Offices of Education, the California Collaborative for Educational Excellence, and the California Department of Education have specific responsibilities within the Statewide System of Support to assist local educational agencies. We have been working to ensure that we have a consistent approach and that our efforts are responsive to locally identified needs.

The starting point will be talking with your district leadership team and stakeholders about the Dashboard data and other local data, identified strengths and challenges and what may be the cause of these challenges. Further, responding with specific actions related to challenges in your system, and consideration of ways to measure the effectiveness of changes within a continuous improvement process will be key to addressing performance issues brought to light by the Dashboard. Working alongside your district, the Santa Cruz County Office of Education (Santa Cruz COE) is prepared to facilitate these conversations. The Santa Cruz COE will use tools and strategies from improvement science to support your district.

The focus will be on helping districts build internal capacity so that you can work with your own communities to develop and implement improvement strategies with guidance and support. We are committed to working alongside your district team to design an approach that is helpful to you in your planning efforts.

If you are new to this process, this is what you can expect:

The Santa Cruz COE will work with you to identify underlying causes, possible solutions, helpful resources or expertise, and methods for measuring the effectiveness of possible solutions. A few reminders:

- There is no requirement to create a new improvement plan nor will the state or County dictate a specific set of interventions or establish top-down directives for improvement.
- You can leverage the Local Control and Accountability Plan process to engage local educators and communities and strengthen/change your LCAP through the annual update cycle.
- The assistance does not need to be limited only to the student group(s) and indicators that led to identification. Rather, assistance can and should focus on your actual needs, regardless of the reasons for your eligibility.
- The assistance is intended to help you identify your needs and to access expertise or resources to help you address them. While there is an urgency to begin this work, there are no quick fixes for developing capacity; such efforts require long-term commitment so that improvement can be sustained over time.

We appreciate that you may have many more detailed questions about what to expect. We will be contacting you in January to schedule an individual meeting to discuss your Differentiated Assistance plan. If you have additional questions, please feel free to contact Debi Bodenheimer, Associate Superintendent of Educational Services, at 831-466-5890.

Sincerely,



Dr. Faris Sabbah
Santa Cruz County Superintendent of Schools

Fwd: update

1 message

Faris Sabbah <fsabbah@santacruzcoe.org>

Sun, Jan 5, 2020 at 7:10 PM

To: Abel Sanchez <asanchez@santacruzcoe.org>, Bruce Van Allen <bvanallen@santacruzcoe.org>, Dana Sales <dsales@santacruzcoe.org>, Jane Barr <jbarr@santacruzcoe.org>, Rose Filicetti <rfilicetti@santacruzcoe.org>, Sandra Nichols <snichols@santacruzcoe.org>, Sue Roth <sroth@santacruzcoe.org>, Sage Leibenson <sleibenson@santacruzcoe.org>

Dear Board Members,

Happy New Year!

Please review some interesting information from CCSESA Director Peter Birdsall about a dispute between Orange County Superintendent and their County Board.

Faris

Dr. Faris Sabbah

Santa Cruz County
Superintendent of Schools
400 Encinal St.
Santa Cruz, CA 95060
(831) 466-5900



SANTA CRUZ
COUNTY OFFICE OF
EDUCATION
DR. FARIS SABBAH - SUPERINTENDENT OF SCHOOLS

----- Forwarded message -----

From: **Peter Birdsall** <pbirdsall@ccsesa.org>

Date: Sun, Jan 5, 2020 at 12:15 PM

Subject: update

To: Robert Russell <rrussell@acUSD.org>, Scott Nanik <SNanik@ccoe.k12.ca.us>, Lynn Mackey <lmackey@cccocoe.k12.ca.us>, Jeff Harris <jharris@delnorte.k12.ca.us>, Tracey Quarne <traceyquarne@glenncooe.org>, Barry Simpson <bsimpson@inyocoe.org>, todd.barlow@kingscooe.org <todd.barlow@kingscooe.org>, Brock Falkenberg <bfalkenberg@lakecooe.org>, Patricia Gunderson <pgunderson@lcooe.org>, Cecilia Massetti <cmassetti@mcsos.org>, Jeff Aranguena <jaranguena@mcusd.org>, mmartin@modococoe.org <mmartin@modococoe.org>, dguss@montereycooe.org <dguss@montereycooe.org>, Barbara Nemko <BNemko@napacoe.org>, Scott Lay <slay@nevco.org>, jberardi@spjUSD.org <jberardi@spjUSD.org>, Terry Oestreich <toestreich@pcoe.k12.ca.us>, MatthewsV@sfusd.edu <matthewsv@sfusd.edu>, Nancy Magee <nmagee@smcoe.org>, Kermith Walters (kwalters@siskiyoucoe.net) <kwalters@siskiyoucoe.net>, Lisette Estrella-Henderson <lehenderson@solanocoe.net>, skuykendall@stancoe.org <skuykendall@stancoe.org>, Tom Reusser (Tomr@sutter.k12.ca.us) <tomr@sutter.k12.ca.us>, Sarah Supahan <ssupahan@tcoek12.org>, Lewis, Garth <Garth.Lewis@ycoe.org>, Francisco Reveles <francisco.reveles@yubacoe.k12.ca.us>, Matt Strahl <mstrahl@alpinecoe.k12.ca.us>, Faris Sabbah <fsabbah@santacruzcoe.org>, Michelle Hutchins <mhutchins@mcoe.us>, stietjen@mcoe.org <stietjen@mcoe.org>
Cc: Sandra S. Morales <smorales@ccsesa.org>, Ashley Lugo <alugo@ccsesa.org>, Ed Manasala <emanansala@edcoe.org>

For the past several months, there has been a dispute between the Orange County Board of Education and the County Superintendent regarding the Orange COE budget. Since the Board and the Superintendent were unable to agree on the 2019-20 county office budget, State Superintendent Tony Thurmond appointed a Budget Review Committee (BRC) to review the issues and make a recommendation. Following that review, the BRC recommended that the budget submitted by Al Mijares be approved. On December 31, State Superintendent Thurmond accepted the BRC recommendation and approved the budget submitted by Superintendent Mijares.

The Power of Democracy Steering Committee has requested that CCSESA designate a representative to serve on the Civic Learning Award Selection Committee. This is a project co-sponsored by the California Chief Justice and State Superintendent. Committee members will be asked to review approximately 10 applications by email between January 24 and February 10. If you are interested in serving on the Award Selection Committee, please contact me via phone at (916) 719-1315 or email. For more information on the award and past winners, please visit: <http://www.courts.ca.gov/civiclearningaward.htm>

In mid-December we distributed a survey prepared by Judy Flores and the leadership of the CCSESA Coordinating Committee regarding the ideas/concerns posted on the "blue wall" at our October General Membership meeting. It would be very helpful if you could respond to that survey by the end of the day on Tuesday, January 7. If you would like another copy of the memo and survey, please contact Kami Martin at kmartin@ccsesa.org

This coming week will include two important developments. One is that no later than Friday the Governor will release his proposed budget for 2020-21. The other is that the State Board of Education is meeting on January 8-9. An important item on the State Board agenda is approval of the revised LCAP template and LCAP Annual Update template. As you know, a CCSESA training on the adopted template is scheduled for the following week.

Happy New Year!

Thanks,

Peter

Peter Birdsall
Executive Director

California County Superintendents Educational Services Association (CCSESA)
pbirdsall@ccsesa.org
Office: 916.446.3095

Cell: 916.719.1315

www.ccsesa.org



SANTA CRUZ
COUNTY OFFICE OF
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SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

☐

Action

☒

Information

TO: Dr. Faris Sabbah, County Superintendent of Schools

FROM: Rebecca Olker, Senior Director, Fiscal Services

SUBJECT: 2018-2019 Fiscal Year Annual Audit Report

BACKGROUND

The Board will be provided with the 2018-2019 final, audited, prior-year financial statements, which the Santa Cruz County Office of Education is required to file with the California Department of Education and the State Controller's Office.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Receive report.

FISCAL IMPLICATIONS:



Annual Financial Report
June 30, 2019

**Santa Cruz County
Superintendent of Schools**

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

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JUNE 30, 2019

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SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Santa Cruz County Superintendent of Schools
Santa Cruz, 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 Santa Cruz County Superintendent of Schools (the SCCOE) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the SCCOE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Cruz County Superintendent of Schools, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, schedule of changes in the County Office of Education's net OPEB liability and related ratios, schedule of County Office of Education contributions for OPEB, schedule of OPEB investment returns, schedule of the County Office of Education's proportionate share of the net pension liability, and the schedule of County Office of Education contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santa Cruz County Superintendent of School's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and 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 (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of the Santa Cruz County Superintendent of School'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 Santa Cruz County Superintendent of School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Cruz County Superintendent of School's internal control over financial reporting and compliance.

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

San Ramon, California
December 16, 2019

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

INTRODUCTION

This section of Santa Cruz County Superintendent of School's (SCCOE) annual financial report presents our discussion and analysis of the SCCOE's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ended June 30, 2018. Please read it in conjunction with the SCCOE's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$19,084,229 on June 30, 2019.
- Overall revenues for the SCCOE were \$69,441,168 while expenditures were \$68,640,353.
- The total long-term obligations were \$8,821,682, which primarily includes \$8,515,993 of Certificates of Participation (COP) debt issuance.

OVERVIEW OF FINANCIAL STATEMENTS

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 Santa Cruz County Superintendent of Schools. 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 using the economic resources measurement focus and accrual basis of accounting.
- **Fund financial statements** focus on reporting the individual parts of the SCCOE operations in more detail. The fund financial statements comprise the remaining statements using the current resources measurement focus and modified accrual basis of accounting.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
 - **Fiduciary fund** statements provide information about the financial relationships in which the SCCOE acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Government-Wide Statements

The government-wide statements report information about the SCCOE 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 SCCOE's net position and how they have changed. Net position – the difference between the assets and deferred inflows of resources, and liabilities and deferred outflows of resources – are one way to measure the SCCOE's financial health or position.

- Over time, increases or decreases in the SCCOE's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the SCCOE, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the SCCOE include government activities. Most of the SCCOE's basic services are included here, such as regular education, food service, maintenance and general administration. Property taxes, interest income, user fees, federal, state, and local grants as well as proceeds from certificates of participation finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the SCCOE's most significant funds, not the SCCOE as a whole. Funds are accounting devices that the SCCOE uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Education establishes other funds to control and manage money for particular purposes or to show that the SCCOE is meeting legal responsibilities for using certain revenues. The SCCOE has two kinds of funds:

- Governmental funds - Most of the SCCOE's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more, or fewer financial resources that can be spent in the near future to finance the SCCOE's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the reconciliation schedules of the government funds statement that explains the relationship (or differences) between them.
- Fiduciary funds – the SCCOE is the trustee, or fiduciary, for assets that belong to others. This includes the charter school, Pacific Collegiate, Retiree Benefits Trust and JPA. The SCCOE is responsible for ensuring that assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. All of the SCCOE's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position, where applicable. We exclude these activities from the SCCOE-wide financial statements because the SCCOE cannot use the assets to finance its operations.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The SCCOE's net position was \$19,084,229 for the fiscal year ended June 30, 2019. Of this amount, (\$2,500,414) 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 net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the SCCOE's governmental activities.

**Table 1
Net Position**

	Governmental Activities		Total Percentage Change
	2019	2018	2019-18
Assets			
Deposits and investments	\$ 30,523,903	\$ 29,343,230	4%
Receivables	14,333,638	7,938,297	81%
Prepaid expenses	43,740	60,000	-27%
Net other postemployment benefit asset	451,580	161,228	180%
Capital assets not depreciated	4,824,591	4,096,775	18%
Capital assets, net of accumulated depreciation	21,555,712	22,586,210	-5%
TOTAL ASSETS	71,733,164	64,185,740	12%
 Deferred outflows of resources	 11,174,399	 11,373,186	 -2%
 Liabilities			
Accounts payable	11,341,527	5,079,155	123%
Interest payable	21,587	22,532	-4%
Unearned revenue	1,403,887	2,696,289	-48%
Current portion of long-term obligations	357,185	346,109	3%
Noncurrent portion of long-term obligations	8,464,497	8,783,034	-4%
Aggregate net pension liability	37,889,840	34,571,108	10%
TOTAL LIABILITIES	59,478,523	51,498,227	15%
 Deferred inflows of resources	 4,344,811	 5,777,285	 -25%
 Net Position			
Net investment in capital assets	17,842,723	17,798,351	0.2%
Restricted for:			
Capital projects	496,339	486,514	2%
Educational programs	2,370,741	2,758,125	-14%
Other activities	423,260	548,761	-23%
OPEB trust assets	451,580	161,228	180%
Unrestricted	(2,500,414)	(3,469,565)	-28%
TOTAL NET POSITION	\$ 19,084,229	\$ 18,283,414	4%

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The (\$2,500,414) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 4 percent (\$2,500,414) compared to (\$3,469,565)).

Changes in Net Position

The SCCOE's total Government Activities revenues were \$69,449,168. The total cost of all programs and services on the full accrual basis was \$68,640,353.

Table 2
Changes in Net Position

	Government Activities		Total Percentage
	2019	2018	Change 2019-18
Revenues			
Program Revenues			
Charges for services	\$ 5,575,207	\$ 5,478,575	2%
Operating and capital grants and contributions	18,724,107	14,681,403	28%
General Revenues			
Property and other taxes	13,533,424	12,523,329	8%
Unrestricted federal and state revenue	26,018,480	24,519,312	6%
Interest and other miscellaneous revenue	5,589,950	4,377,696	28%
Total revenues	69,441,168	61,580,315	13%
Program Expenses			
Instruction	21,119,718	18,153,080	16%
Instruction-related activities	12,380,464	10,344,030	20%
Pupil services	4,369,222	3,188,894	37%
General administration	8,559,078	6,810,708	26%
Plant services	3,363,224	2,966,847	13%
Ancillary services	16,695	21,251	-21%
Community services	2,724,912	2,493,162	9%
Interest on long-term debt	277,701	288,463	-1%
Other outgo	15,829,339	13,666,629	16%
Total expenses	68,640,353	57,933,064	18%
Increase (Decrease) in net position	\$ 800,815	\$ 3,647,251	78%

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$68,640,353. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$13,533,424 because the cost was paid by those who benefited from the programs of \$5,575,207 or by other governments and organizations who subsidized certain programs with grants and contributions of \$18,724,107. We paid for the remaining "public benefit" portion of our governmental activities with \$26,018,480 in Federal and State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the SCCOE's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the SCCOE's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3
Net Cost of Governmental Activities

	2019			
	Total Cost of Services	Revenue from Operating/Capital Grants & Contributions	Revenue from Charges for Services and Sales	Net Costs
Instruction	\$ 21,119,718	\$ 6,093,681	\$ 464,146	\$ (14,561,891)
Instruction-related activities	12,380,464	2,707,005	2,552,250	(7,121,209)
Pupil services	4,369,222	1,610,648	392,739	(2,365,835)
General administration	8,559,078	983,613	284,128	(7,291,337)
Plant services	3,363,224	344,104	489,559	(2,529,561)
Ancillary services	16,695	4,513	9,482	(2,700)
Community services	2,724,912	1,407,746	946,182	(370,984)
Interest on long term debt	277,701	-	-	(277,701)
Other outgo	15,829,339	5,572,797	436,721	(9,819,821)
TOTAL	<u>\$ 68,640,353</u>	<u>\$ 18,724,107</u>	<u>\$ 5,575,207</u>	<u>\$ (44,341,039)</u>

FINANCIAL ANALYSIS OF THE SCCOE'S FUNDS

The positive financial performance of the SCCOE as a whole is reflected in its governmental funds as well. As the SCCOE completed the year, its governmental funds reported a combined fund balance (modified accrual reporting method) of \$32,155,867.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

General Fund Budgetary Highlights

Over the course of the year, the SCCOE revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 20, 2019. (A schedule showing the SCCOE's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 60).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On June 30, 2019, the SCCOE had invested \$36,551,226 (historical costs) in a broad range of capital assets, including land, buildings, and furniture and equipment (see Table 4 below). More detailed information about SCCOE's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental Activities	
	2019	2018
Land	\$ 4,026,778	\$ 4,026,778
Land Improvements	83,952	83,952
Buildings and Improvements	28,621,342	28,539,855
Furniture and Equipment	3,021,341	2,755,129
Construction In Progress	797,813	69,997
Totals at Historical Cost	36,551,226	35,475,711
Total Accumulated Depreciation	10,170,923	8,792,726
Net Capital Assets	\$ 26,380,303	\$ 26,682,985

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Long-Term Obligations

At year end, the SCCOE had \$8,821,682 in long-term obligations, which consisted of compensated absences and Certificates of Participation as shown in Table 5. More detailed information about the SCCOE's debt is presented in the notes to the financial statements.

Table 5
Long-Term Obligations

	Governmental Activities	
	2019	2018
Compensated Absences	\$ 305,689	\$ 267,041
Certificates of Participation (net)	8,515,993	8,862,102
Total Long-Term Obligations	<u>\$ 8,821,682</u>	<u>\$ 9,129,143</u>

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

In Fiscal Year 2018/19, the Santa Cruz County Office of Education's Board approved the Santa Cruz County Cypress Charter High School and in 2019/20 the new Charter High School began operation. Santa Cruz County Cypress Charter High School graduates self-actualized citizens who utilize creativity, critical thinking, and a comprehensive worldview, to be engaged and informed members of their communities.

Cypress fosters a diverse student body through an inclusive community where each individual is seen and valued. Students utilize critical thinking skills in real-world applications, achieving personal and academic growth through a student-centered learning environment and a college preparatory curriculum.

In Fiscal Year 2018/19, the Santa Cruz County Office of Education completed a five-year Strategic Plan which prioritized Safety, Engagement, and Social Emotional Wellness, Sustainable Systems and Academic Achievement & College/Career Readiness, resulting in Equity for All Learners.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

It has now been six years since the implementation of the Local Control Funding Formula (LCFF) and the Local Control Accountability Plan. The SCCOE continues to receive the same funding level as in 2012/13 due to the collapse of the Tier III funds into the LCFF formula and the hold harmless status and is not expected to receive additional funding for an estimated eight more years. In order to address the flat funding, the SCCOE continues to make strategic changes to programs, and to pursue grant funding, to be able to continue to offer several programs that were previously funded under Tier III funding. These changes have enabled the SCCOE to offer compensation that allows it to continue to attract highly qualified teachers and other staff by continuing to be competitive in the market.

2018/19 was the final year of the Career Technical Education Partnership (CTEP) Consortium between the SCCOE and the high school districts in the county. While the structure of the program has changed, CTEP continues to offer magnet classes and to oversee the Career Technical Education Incentive Grant. The CTEP Consortium also received grant funding for the Strong Workforce Program, allowing the Consortium to broaden the offering of classes available to the students in the county. In 2019/20, the SCCOE will continue to explore funding opportunities to further expand the class offerings.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

2018/19 was the first year the SCCOE received funding for Differentiated Assistance which is aimed at helping local educational agencies (LEAs) and their schools meet the needs of each student they serve, with a focus on building local capacity to sustain improvement and to effectively address disparities in opportunities and outcomes. SCCOE will continue to expand the program and to develop a system of support for the districts in the county.

CONTACTING THE SCCOE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the SCCOE's finances and to demonstrate the SCCOE's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Mary Hart, Deputy Superintendent, Business Services, at (831) 466-5601.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	\$ 30,523,903
Receivables	14,333,638
Prepaid expenses	43,740
Net other postemployment benefit asset	451,580
Capital assets not depreciated	4,824,591
Capital assets, net of accumulated depreciation	21,555,712
Total Assets	71,733,164
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to net other postemployment benefits (OPEB) asset	52,101
Deferred outflows of resources related to pensions	11,122,298
Total Deferred Outflows of Resources	11,174,399
LIABILITIES	
Accounts payable	11,341,527
Interest payable	21,587
Unearned revenue	1,403,887
Long Term Obligations:	
Current portion of long-term obligations other than pensions	357,185
Noncurrent portion of long-term obligations other than pensions	8,464,497
Aggregate net pension liability	37,889,840
Total Liabilities	59,478,523
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	4,344,811
Total Deferred Inflows of Resources	4,344,811
NET POSITION	
Net investment in capital assets	17,842,723
Restricted for:	
Capital projects	496,339
Educational programs	2,370,741
Other activities	423,260
OPEB trust assets	451,580
Unrestricted	(2,500,414)
Total Net Position	\$ 19,084,229

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 21,119,718	\$ 464,146	\$ 6,083,856	\$ 9,825	\$ (14,561,891)
Instruction-related activities:					
Supervision of instruction	8,259,911	2,521,438	2,233,755	-	(3,504,718)
Instructional library, media, and technology	286,476	-	6,128	-	(280,348)
School site administration	3,834,077	30,812	467,122	-	(3,336,143)
Pupil services:					
Food services	63,496	-	32,800	-	(30,696)
All other pupil services	4,305,726	392,739	1,577,848	-	(2,335,139)
General administration:					
Data processing	2,200,001	-	78,093	-	(2,121,908)
All other general administration	6,359,077	284,128	905,520	-	(5,169,429)
Plant services	3,363,224	489,559	344,104	-	(2,529,561)
Ancillary services	16,695	9,482	4,513	-	(2,700)
Community services	2,724,912	946,182	1,407,746	-	(370,984)
Interest on long-term obligations	277,701	-	-	-	(277,701)
Other outgo	15,829,339	436,721	5,572,797	-	(9,819,821)
Total Governmental-Type Activities	\$ 68,640,353	\$ 5,575,207	\$ 18,714,282	\$ 9,825	(44,341,039)
General revenues and subventions:					
Property taxes, levied for general purposes					12,865,529
Taxes levied for other specific purposes					667,895
Federal and State aid not restricted to specific purposes					26,018,480
Interest and investment earnings					610,099
Interagency revenue					9,448
Miscellaneous					4,970,403
Subtotal, General Revenues					45,141,854
Change in Net Position					800,815
Net Position - Beginning,					18,283,414
Net Position - Ending					\$ 19,084,229

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2019

	County School Service Fund	Special Ed Pass-through Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 28,360,081	\$ 1,114,960	\$ 1,048,862	\$ 30,523,903
Receivables	6,845,464	7,243,164	245,010	14,333,638
Due from other funds	343,792	-	63	343,855
Prepaid expenses	43,740	-	-	43,740
Total Assets	<u>\$ 35,593,077</u>	<u>\$ 8,358,124</u>	<u>1,293,935</u>	<u>\$ 45,245,136</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,249,943	\$ 7,984,384	\$ 107,200	\$ 11,341,527
Due to other funds	63	-	343,792	343,855
Unearned revenue	1,366,874	-	37,013	1,403,887
Total Liabilities	<u>4,616,880</u>	<u>7,984,384</u>	<u>488,005</u>	<u>13,089,269</u>
Fund Balances:				
Nonspendable	46,540	-	-	46,540
Restricted	2,355,630	373,740	511,450	3,240,820
Committed	1,200,000	-	-	1,200,000
Assigned	24,803,124	-	294,480	25,097,604
Unassigned	2,570,903	-	-	2,570,903
Total Fund Balances	<u>30,976,197</u>	<u>373,740</u>	<u>805,930</u>	<u>32,155,867</u>
Total Liabilities and Fund Balances	<u>\$ 35,593,077</u>	<u>\$ 8,358,124</u>	<u>\$ 1,293,935</u>	<u>\$ 45,245,136</u>

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balance - Governmental Funds		\$ 32,155,867
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 36,551,226	
Accumulated depreciation is	<u>(10,170,923)</u>	
Net Capital Assets		26,380,303
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(21,587)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the COE's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	3,686,758	
Net change in proportionate share of net pension liability	1,102,577	
Differences between projected and actual earnings on pension plan investments	178,212	
Differences between expected and actual experience in the measurement of the total pension liability.	1,474,474	
Changes of assumptions	<u>4,680,277</u>	
Total Deferred Outflows of Resources Related to Pensions		11,122,298
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the COE's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(3,487,672)	
Differences between projected and actual earnings on pension plan investments	(622,366)	
Differences between expected and actual experience in the measurement of the total pension liability.	<u>(234,773)</u>	
Total Deferred Inflows of Resources Related to Pensions		(4,344,811)
Net postemployment benefit (OPEB) asset is not a current financial resource; therefore, it is not reported in the governmental activities		451,580
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the COE's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB experience gains and losses.		52,101
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(37,889,840)
Long-term obligations at year-end consist of:		
Compensated absences (vacations)	(305,689)	
Certificates of participation	<u>(8,515,993)</u>	
Total Long-Term Obligations		(8,821,682)
Total Net Position - Governmental Activities		<u>\$ 19,084,229</u>

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	County School Service Fund	Special Education Pass-through Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula	\$ 28,965,538	\$ -	\$ 970,545	\$ 29,936,083
Federal sources	13,000,813	3,149,087	286,251	16,436,151
Other state sources	6,682,691	4,384,572	761,056	11,828,319
Other local sources	10,821,470	23,996	395,149	11,240,615
Total Revenues	59,470,512	7,557,655	2,413,001	69,441,168
EXPENDITURES				
Current				
Instruction	18,785,159	-	837,958	19,623,117
Instruction-related activities:				
Supervision of instruction	7,971,409	-	-	7,971,409
Instructional library, media and technology	428,376	-	-	428,376
School site administration	3,258,615	-	438,480	3,697,095
Pupil services:				
Food services	-	-	61,278	61,278
All other pupil services	4,155,336	-	-	4,155,336
General administration:				
Data processing	2,080,221	-	-	2,080,221
All other general administration	5,683,429	-	81,642	5,765,071
Plant services	3,160,236	-	-	3,160,236
Ancillary services	16,112	-	-	16,112
Community services	1,620,728	-	1,009,008	2,629,736
Other outgo	8,119,541	7,709,798	-	15,829,339
Capital Outlay	809,303	-	-	809,303
Debt service				
Principal	346,109	-	-	346,109
Interest and other	278,646	-	-	278,646
Total Expenditures	56,713,220	7,709,798	2,428,366	66,851,384
Excess (Deficiency) of				
Revenues Over Expenditures	2,757,292	(152,143)	(15,365)	2,589,784
Other Financing Sources (Uses):				
Transfers in	-	-	30,019	30,019
Transfers out	(30,019)	-	-	(30,019)
Net Financing Sources (Uses)	(30,019)	-	30,019	-
NET CHANGE IN FUND BALANCES	2,727,273	(152,143)	14,654	2,589,784
Fund Balance - Beginning	28,248,924	525,883	791,276	29,566,083
Fund Balance - Ending	\$ 30,976,197	\$ 373,740	\$ 805,930	\$ 32,155,867

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,589,784
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which depreciation exceeds capital outlays in the period.	
Depreciation expense	\$ (1,378,197)
Capital outlays	<u>1,075,515</u>
Net Expense Adjustment	(302,682)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts used.	(38,648)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows and net pension liability during the year.	(1,269,123)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB asset during the year.	(525,570)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	346,109
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due, net of any issuance costs.	945
Change in Net Position of Governmental Activities	<u>\$ 800,815</u>

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2019

	Retiree Benefits Trust	Agency Funds
ASSETS		
Deposits and investments	\$ 9,060,657	\$ 2,680,395
Total Assets	<u>9,060,657</u>	<u>2,680,395</u>
LIABILITIES		
Due to other agency	-	2,680,395
Total Liabilities	<u>-</u>	<u>\$ 2,680,395</u>
NET POSITION		
Restricted for postemployment benefits other than pensions	<u>9,060,657</u>	
Total Net Position	<u>\$ 9,060,657</u>	

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2019

	Retiree Benefits Trust
ADDITIONS	
Employer contributions	\$ 764,019
Net increase in fair market value of investments	569,414
Total Additions	<u>1,333,433</u>
DEDUCTIONS	
Benefit payments	664,020
Administrative expense	4,307
Other expenditures	3,149
Total Deductions	<u>671,476</u>
Change in Net Position	661,957
Net Position - Beginning	<u>8,398,700</u>
Net Position - Ending	<u><u>\$ 9,060,657</u></u>

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Santa Cruz County Office of Education (SCCOE) was organized circa 1861 under the laws of the State of California. The SCCOE operates under a locally elected seven-member Board and provides educational services to grades K-12 as mandated by the State and/or Federal agencies or local agreements. The SCCOE is the administrative unit for one Special Educational Local Plan Area (SELPA) and operates special education classes at nine school sites within the County of Santa Cruz. The SCCOE coordinates the Career Technical Education Partnership for four school districts, operates Alternative Education programs at seventeen school sites around the county, including four court programs and twenty community school programs. In addition, SCCOE has two charter schools in the county that it oversees and offers Medical and Dental programs for Adults wishing to continue their education.

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 SCCOE consists of all funds, departments, boards, and agencies that are not legally separate from the SCCOE. The SCCOE determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

Other Related Entities

Charter School The SCCOE has approved a Charter for Santa Cruz County Career Advancement Charter School pursuant to *Education Code* Section 47605. The Santa Cruz County Career Advancement Charter School is operated by the SCCOE, and its financial activities are presented in the Charter School special revenue fund. The Santa Cruz County Career Advancement Charter School is operated by the SCCOE and not considered a component unit of the SCCOE. The SCCOE receives revenue on behalf of the Santa Cruz County Career Advancement Charter School which it passes on to the Charter. This activity is accounted for in the Charter Schools Fund.

Charter School The SCCOE is the chartering agency for the Pacific Collegiate Charter School (the charter school), a public benefit corporation organized under the Internal Revenue Code Section 501(c)(3). As the chartering agency, SCCOE has certain oversight responsibilities to ensure that the Charter School is in compliance with applicable Charter School laws and regulations. However, the SCCOE is not liable for the debts or obligations of the Charter School. The SCCOE receives revenue on behalf of the Charter School and makes payments for the Charter School's salaries and benefits. The payments of amounts on behalf of and to the Charter School are included in these financial statements as an agency fund as the Charter School is not a component unit of SCCOE. The Pacific Collegiate Charter School's financial activity is presented in a separate report provided by the Pacific Collegiate Charter School.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The SCCOE's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary. Currently there are no proprietary funds in use.

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

Major Governmental Funds

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

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the County School Service Fund, and accordingly have been combined with the County School Service Fund for presentation in these audited financial statements.

As a result, the County School Service Fund reflects an increase in assets, fund balance, revenues and expenditures of \$3,612,783, \$3,610,195, \$142,225, and \$59,933, respectively.

Special Education Pass-Through Fund A Special Education Pass-Through Fund, a special revenue fund, was established in 2011-12. This fund is used by the Administrative Unit (SCCOE) of a multi-Agency Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Charter Schools Fund The Charter Schools Fund may be used by authorizing county offices and districts to account separately for the operating activities of county office-operated charter schools that would otherwise be reported in the authorizing COE's General Fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the SCCOE's food service program (*Education Code* Sections 38091 and 38100).

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

County School Facilities Fund The County School Facilities Fund, a capital project 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), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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 Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the SCCOE's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the SCCOE under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the SCCOE's own programs. SCCOE's trust fund is the Retiree Benefits Trust. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The SCCOE's agency fund accounts for activities of the Pacific Collegiate Charter School, and the Special Education Coordinating Agency..

Basis of Accounting - Measurement Focus

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

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

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

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

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the SCCOE.

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

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

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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 SCCOE prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the SCCOE 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 before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

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

Investments

Investments held at June 30, 2019, 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 investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the County School Service Fund represent investments required by State covenants to be set aside by the SCCOE for the purpose of satisfying certain requirements of the entitlement.

Prepaid Expenditures (Expenses)

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are long-lived assets of the SCCOE. The SCCOE maintains a capitalization threshold of \$5,000. The SCCOE does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: land improvements, 5 years; buildings and improvements, 25 years; furniture and equipment, 5-8 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the government-wide statement of net position.

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the SCCOE's financial statements.

Accrued Liabilities and Long-Term Obligations

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

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

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Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the SCCOE Plan and additions to/deductions from the SCCOE Plan's fiduciary position have been determined on the same basis as they are reported by the SCCOE Plan. For this purpose, the SCCOE Plan recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance

In order to protect against revenue shortfalls or unpredicted one-time expenditures, it is the SCCOE's practice to maintain an amount equal to at least 3 percent of the County School Service Fund annual expenditures and other financing uses for economic uncertainties.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the SCCOE or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The SCCOE first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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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.

Estimates

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

Property Tax

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

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The SCCOE has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement 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.

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This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The SCCOE has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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

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This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

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

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

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

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

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

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

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 30,523,903
Fiduciary funds	11,741,052
Total Deposits and Investments	<u>\$ 42,264,955</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 82,613
Cash in revolving	2,800
Investments	42,179,542
Total Deposits and Investments	<u>\$ 42,264,955</u>

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Policies and Practices

The SCCOE is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

General Authorizations

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

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 SCCOE has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The SCCOE manages its exposure to interest rate risk by investing in the county pool and/or having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Weighted Average Maturity

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

Investment Type	Fair Value	Weighted Average Maturity in Days
County Treasury Investment Pool	\$ 30,438,490	234
California Employers' Retiree Benefit Trust	11,741,052	Not Applicable
Total	<u>\$ 42,179,542</u>	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The SCCOE's investments in the County Treasury Investment Pool and California Employer's Retirement Trust are not required to be rated, nor have they been rated as of June 30, 2019.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Unrated
County Treasury Investment Pool	\$ 33,118,885	N/A	\$ -	\$ -	\$ 33,118,885
California Employers' Retiree Benefit Trust	11,741,052	N/A	-	-	11,741,052
Total	<u>\$ 44,859,937</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,859,937</u>

N/A - Not Applicable

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the SCCOE's deposits may not be returned to it. The SCCOE does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public 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 SCCOE had no bank balance that was exposed to custodial credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

Level 1 - Quoted prices in active markets for identical assets that the SCCOE has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

Uncategorized - Investments in the Santa Cruz County Treasury Investment Pool are not measured using the input levels above because the SCCOE'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.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The SCCOE's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Treasury Investment Pool	\$ 30,438,490	\$ -	\$ -	\$ -	\$ 30,438,490
California Employers' Retiree Benefit Trust	11,741,052	-	-	-	11,741,052
Total	\$ 42,179,542	\$ -	\$ -	\$ -	\$ 42,179,542

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	County School Service Fund	Special Education Pass-through Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 1,135,238	\$ 6,359,252	\$ 96,193	\$ 7,590,683
State Government				
Apportionment	9,120	-	-	9,120
Categorical aid	943,789	883,912	74,941	1,902,642
Lottery	51,372	-	3,221	54,593
Other Local Sources	4,705,945	-	70,655	4,776,600
Total	\$ 6,845,464	\$ 7,243,164	\$ 245,010	\$ 14,333,638

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

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

	Balance July 01, 2018	Additions/ Adjustments	Deductions/ Adjustments	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 4,026,778	\$ -	\$ -	\$ 4,026,778
Construction in Progress	69,997	790,514	62,698	797,813
Total Capital Assets Not Being Depreciated	4,096,775	790,514	62,698	4,824,591
Capital Assets Being Depreciated:				
Land Improvements	83,952	-	-	83,952
Buildings and Improvements	28,539,855	81,487	-	28,621,342
Furniture and Equipment	2,755,129	266,212	-	3,021,341
Total Capital Assets Being Depreciated	31,378,936	347,699	-	31,726,635
Total Capital Assets	35,475,711	1,138,213	62,698	36,551,226
Less Accumulated Depreciation:				
Land Improvements	62,322	7,210	-	69,532
Buildings and Improvements	6,657,874	1,150,157	-	7,808,031
Furniture and Equipment	2,072,530	220,830	-	2,293,360
Total Accumulated Depreciation	8,792,726	1,378,197	-	10,170,923
Governmental Activities Capital Assets, Net	\$ 26,682,985	\$ (239,984)	\$ 62,698	\$ 26,380,303

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

Instruction	\$ 786,400
Instructional library, media, and technology	5,575
School site administration	3,178
All other administration	346,707
Data processing	71,604
Plant services	164,733
Total Depreciation Expenses Governmental Activities	<u>\$ 1,378,197</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 6 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable at June 30, 2019, between major and non-major governmental funds are as follows:

Due To	Due From		
	County School Service Fund	Non-Major Governmental Funds	Total
County School Service Fund	\$ -	\$ 63	\$ 63
Non-Major Governmental Funds	343,792	-	343,792
Total	<u>\$ 343,792</u>	<u>\$ 63</u>	<u>\$ 343,855</u>

All balances resulted from the time lag between the date that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made in the subsequent fiscal year.

Operating Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Transfer To	Transfer From	
	County School Service Fund	Total
Non-Major Governmental Funds	<u>\$ 30,019</u>	<u>\$ 30,019</u>
The County School Service Fund transferred to the Cafeteria Fund to support operations.		<u>\$ 30,019</u>

NOTE 7 - ACCOUNTS PAYABLE

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

	County School Service Fund	Special Education Pass-through Fund	Non-Major Governmental Fund	Total Governmental Fund
Vendor payables	\$ 2,693,951	\$ 7,984,384	\$ 71,572	\$ 10,749,907
Salaries and benefits	555,992	-	35,628	591,620
Total	<u>\$ 3,249,943</u>	<u>\$ 7,984,384</u>	<u>\$ 107,200</u>	<u>\$ 11,341,527</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 8 - UNEARNED REVENUE

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

	County School Service Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 64,954	\$ 37,013	\$ 101,967
State categorical aid	998,345	-	998,345
Other local	303,575	-	303,575
Total	<u>\$ 1,366,874</u>	<u>\$ 37,013</u>	<u>\$ 1,403,887</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Certificates of participation	\$ 8,862,102	\$ -	\$ 346,109	\$ 8,515,993	\$ 357,185
Compensated absences	267,041	38,648	-	305,689	-
Total	<u>\$ 9,129,143</u>	<u>\$ 38,648</u>	<u>\$ 346,109</u>	<u>\$ 8,821,682</u>	<u>\$ 357,185</u>

Certificates of Participation

In May 2007, the Santa Cruz County Office of Education issued certificates of participation in the amount of \$11,605,000 with interest rates ranging from 3.60 to 4.62 percent. During June 2016, the certificates of participation were refinanced in the amount of \$9,510,983 with interest rates of 3.175 percent. Interest with respect to the Certificates will be payable semiannually on each June 1 and December 1, commencing December 15, 2016, and maturing on June 15, 2037. As of June 30, 2019, the principal balance outstanding was \$8,515,993.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

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Year Ending June 30,	Principal	Interest	Total
2020	\$ 357,185	\$ 267,570	\$ 624,755
2021	368,616	256,139	624,755
2022	380,413	244,343	624,756
2023	392,587	232,169	624,756
2024	405,150	219,605	624,755
2025-2029	2,228,735	895,042	3,123,777
2030-2034	2,608,923	514,855	3,123,778
2035-2037	1,774,384	99,883	1,874,267
Total	<u>\$ 8,515,993</u>	<u>\$ 2,729,606</u>	<u>\$ 11,245,599</u>

Compensated absences

Compensated absences (unpaid employee vacation) for the SCCOE at June 30, 2019, amounted to \$305,689.

Net Other Post Employment Benefit (OPEB) Asset

For the fiscal year ended June 30, 2018, the SCCOE reported net OPEB asset, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Net OPEB Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
SCCOE Plan	<u>\$ 451,580</u>	<u>\$ 52,101</u>	<u>\$ -</u>	<u>\$ 378,240</u>

The details of the plan are as follows:

COE Plan

Plan Administration

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	51
Active employees	226
	<u>277</u>

Benefits Provided

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Contributions

The contribution requirements of the Plan members and the SCCOE are established and may be amended by the SCCOE, the Santa Cruz County Education Association/CTA/NEA (SCCEA/CTA/NEA), the local California School Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the SCCOE, SCCEA/CTA/NEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the SCCOE contributed \$935,586 to the Plan, of which \$835,586 was used for current premiums and \$100,000 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the SCCOE to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
US Large Cap	43%
US Small Cap	23%
Long-Term Corporate Bonds	12%
Long-Term Government Bonds	6%
Treasury Inflation Protected Securities	5%
US Real Estate	8%
All Commodities	3%

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 8.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Net OPEB Asset of the COE

The SCCOE's net OPEB asset of \$451,580 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The components of the net OPEB asset of the SCCOE at June 30, 2018, were as follows:

Total OPEB liability	\$ 7,944,716
Plan fiduciary net position	(8,396,296)
SCCOE's net OPEB asset	<u>\$ (451,580)</u>
Plan fiduciary net position as a percentage of the total OPEB asset	<u>105.68%</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average including inflation
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	4.0 percent for 2018

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
US Large Cap	7.7950%
US Small Cap	7.7950%
Long-Term Corporate Bonds	5.2950%
Long-Term Government Bonds	4.5000%
Treasury Inflation Protected Securities	7.7950%
US Real Estate	7.7950%
All Commodities	7.7950%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the SCCOE contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability/(Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balance at June 30, 2017	\$ 7,476,500	\$ 7,637,728	\$ (161,228)
Service cost	392,279	-	392,279
Interest	521,490	-	521,490
Contributions-employer	-	595,554	(595,554)
Net investment income	-	601,237	(601,237)
Benefit payments	(502,479)	(502,479)	-
Actual minus expected benefits payments	56,926	56,926	-
Other- 6/30/17 FNP adjustment	-	7,330	(7,330)
Net change in total OPEB liability	468,216	758,568	(290,352)
Balance at June 30, 2018	<u>\$ 7,944,716</u>	<u>\$ 8,396,296</u>	<u>\$ (451,580)</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

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Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

Net OPEB asset of the SCCOE, as well as what the SCCOE's net OPEB asset/(liability) would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Asset
1% decrease (6.0%)	\$ 188,640
Current discount rate (7.0%)	(451,580)
1% increase (8.0%)	(1,007,987)

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

Net OPEB asset of the SCCOE, as well as what the SCCOE's net OPEB asset/ (liability) would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Asset
1% decrease (3.0%)	\$ (1,636,445)
Current healthcare cost trend rate (4.0%)	(451,580)
1% increase (5.0%)	957,966

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

For the year ended June 30, 2018, the SCCOE recognized OPEB expense of \$378,240. At June 30, 2018, the SCCOE reported deferred outflows of resources for OPEB experience gains and losses of \$52,101.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 4,825
2020	4,825
2021	4,825
2022	4,825
2023	4,825
Thereafter	27,976
	<u>\$ 52,101</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 – FUND BALANCE

Fund balances are composed of the following elements:

	County School Service Fund	Special Education Pass-through Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 2,800	\$ -	\$ -	\$ 2,800
Prepaid expenditures	43,740	-	-	43,740
Total Nonspendable	46,540	-	-	46,540
Restricted				
Legally restricted programs	-	373,740	15,111	388,851
Capital projects	2,355,630	-	496,339	2,851,969
Total Restricted	2,355,630	373,740	511,450	3,240,820
Committed				
Debt service	1,200,000	-	-	1,200,000
Total Committed	1,200,000	-	-	1,200,000
Assigned				
Small District Program	1,836	-	-	1,836
SMAA Administration	1,753,911	-	-	1,753,911
Teacher Credentialing Grant	200,000	-	-	200,000
Mandated Cost Program	1,979,644	-	-	1,979,644
Safety Program	72,344	-	-	72,344
Education & Administrative Operations	15,610,529	-	-	15,610,529
SMAA Program	614,315	-	-	614,315
Special Projects	200,000	-	-	200,000
Deferred Maintenance	2,433,576	-	-	2,433,576
Differentiated Assistance	585,886	-	-	585,886
Alternative Education	720,037	-	-	720,037
Lottery	620,002	-	-	620,002
Child Development Program	-	-	38,476	38,476
Educational Program	11,044	-	256,004	267,048
Total Assigned	24,803,124	-	294,480	25,097,604
Unassigned				
Reserve for economic uncertainties	2,570,903	-	-	2,570,903
Total Unassigned	2,570,903	-	-	2,570,903
Total	\$ 30,976,197	\$ 373,740	\$ 805,930	\$ 32,155,867

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

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NOTE 11 - RISK MANAGEMENT

Property and Liability

The SCCOE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the SCCOE was a member in and procured coverage through the Southern Peninsula Region Property and Liability Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018-2019, the SCCOE was a member in and procured coverage through the Santa Cruz-San Benito County Schools Insurance Group, a workers' compensation insurance purchasing pool. The intent of the Santa Cruz-San Benito County Schools Insurance Group is to achieve the benefit of a reduced premium for the SCCOE by virtue of its grouping and representation with other participants in the Santa Cruz-San Benito County Schools Insurance Group. The workers' compensation experience of the participating SCCOEs is calculated as one experience and a common premium rate is applied to all SCCOEs in the Santa Cruz-San Benito County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Santa Cruz-San Benito County Schools Insurance Group.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2019 the SCCOE reported net pension liabilities, deferred outflows of resources, deferred, inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 16,162,680	\$ 4,808,321	\$ 4,202,872	\$ 1,058,315
CalPERS	21,727,160	6,313,977	141,939	3,897,566
Total	<u>\$ 37,889,840</u>	<u>\$ 11,122,298</u>	<u>\$ 4,344,811</u>	<u>\$ 4,955,881</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

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The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

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

Benefits Provided

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

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

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

Contributions

Required member, SCCOE and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the SCCOE's total contributions were \$1,690,102.

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

At June 30, 2019, the SCCOE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the SCCOE. The amount recognized by the SCCOE 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 SCCOE were as follows:

Total net pension liability, including State share:

COE's proportionate share of net pension liability	\$	16,162,680
State's proportionate share of the net pension liability associated with the COE		9,253,890
Total	\$	<u>25,416,570</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The net pension liability was measured as of June 30, 2018. The SCCOE's proportion of the net pension liability was based on a projection of the SCCOE's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The SCCOE's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.0176 percent and 0.0168 percent, resulting in a net increase in the proportionate share of 0.0008 percent of the collective net pension liability.

For the year ended June 30, 2019, the SCCOE recognized pension expense of \$1,058,315. In addition, SCCOE recognized pension expense and revenue of \$1,475,355 for support provided by the State. At June 30, 2019, the SCCOE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,690,102	\$ -
Net change in proportionate share of net pension liability	557,183	3,345,733
Difference between projected and actual earnings on pension plan investments	-	622,366
Differences between expected and actual experience in the measurement of the total pension liability	50,120	234,773
Changes in assumptions	2,510,916	-
Total	<u>\$ 4,808,321</u>	<u>\$ 4,202,872</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 135,133
2021	(98,056)
2022	(522,141)
2023	(137,302)
Total	<u>\$ (622,366)</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ (409,933)
2021	(409,933)
2022	(409,930)
2023	89,676
2024	587,345
Thereafter	90,488
Total	<u>\$ (462,287)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 23,676,434
Current discount rate (7.10%)	16,162,680
1% increase (8.10%)	9,933,048

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The SCCOE is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total SCCOE contributions were \$1,996,656.

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

As of June 30, 2019, the SCCOE reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$21,727,160. The net pension liability was measured as of June 30, 2018. The SCCOE's proportion of the net pension liability was based on a projection of the SCCOE's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The SCCOE's proportionate share of the proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.0815 percent and 0.0799 percent, respectively, resulting in a net increase in the proportionate share of 0.0016 percent.

For the year ended June 30, 2019, the SCCOE recognized pension expense of \$3,897,566. At June 30, 2019, the SCCOE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,996,656	\$ -
Net change in proportionate share of net pension liability	545,394	141,939
Difference between projected and actual earnings on pension plan investments	178,212	-
Differences between expected and actual experience in the measurement of the total pension liability	1,424,354	-
Changes of assumptions	2,169,361	-
Total	<u>\$ 6,313,977</u>	<u>\$ 141,939</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 648,194
2021	155,010
2022	(496,749)
2023	(128,243)
Total	<u>\$ 178,212</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,692,345
2021	1,759,042
2022	545,783
Total	<u>\$ 3,997,170</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Discount Rate

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

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

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 31,633,706
Current discount rate (7.15%)	21,727,160
1% increase (8.15%)	13,508,262

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. Contributions made by the SCCOE and an employee vest immediately. The SCCOE contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 4 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the SCCOE. These payments consist of State County School Service Fund contributions to CalSTRS in the amount of \$854,087 (9.828 percent of the second previous annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the budgeted amounts reported in the *County School Service Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on-behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The SCCOE received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the SCCOE at June 30, 2019.

Litigation

The SCCOE is not currently a party to any legal proceedings.

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The SCCOE is a member of the Self-Insured Schools of California III (SISC); Santa Cruz County Schools' Health Insurance Group (SCCSHIG), Santa Cruz-San Benito County Schools' Insurance Group (SIG), and the Southern Peninsula Region Property and Liability Insurance Group (SPRIG) public entity risk pools and the North Santa Cruz County Special Education Local Plan Area joint powers authorities (JPA's). The SCCOE pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the SCCOE, the pools, and the JPA's are such that they are not component units of the SCCOE 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 SCCOE are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2019, the SCCOE made payments of \$6,630,492, \$587,973, \$428,124, and \$129,080 to SISC, Santa Cruz County Schools Health Insurance Group, Santa Cruz-San Benito County Schools' Insurance Group, and Southern Peninsula Region Property and Liability Insurance Group (including re-insurance through SAFER), respectively for health, workers' compensation, and property liability coverage.



REQUIRED SUPPLEMENTARY INFORMATION

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

COUNTY SCHOOL SERVICE FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Local Control Funding Formula	\$ 27,899,820	\$ 27,242,923	\$ 28,965,538	\$ 1,722,615
Federal sources	9,148,085	7,405,876	13,000,813	5,594,937
Other State sources	6,011,336	7,932,026	6,682,691	(1,249,335)
Other local sources	13,628,630	11,782,301	10,821,470	(960,831)
Total Revenues¹	56,687,871	54,363,126	59,470,512	5,107,386
EXPENDITURES				
Current				
Certificated salaries	11,326,689	10,967,874	11,049,005	(81,131)
Classified salaries	11,704,753	11,221,565	11,700,803	(479,238)
Employee benefits	12,244,993	12,229,612	13,643,342	(1,413,730)
Books and supplies	1,829,220	3,356,296	1,112,188	2,244,108
Services and operating expenditures	10,582,409	9,188,678	9,469,714	(281,036)
Other outgo	5,935,354	7,211,505	8,037,898	(826,393)
Capital outlay	1,200,508	698,115	1,075,515	(377,400)
Debt service - principal	351,353	346,109	346,109	-
Debt service - interest	278,647	278,646	278,646	-
Total Expenditures¹	55,453,926	55,498,400	56,713,220	(1,214,820)
Excess (Deficiency) of Revenues Over Expenditures	1,233,945	(1,135,274)	2,757,292	3,892,566
Other Financing Sources (Uses):				
Transfers out	(45,000)	(45,000)	(30,019)	14,981
Net Financing Sources (Uses)	(45,000)	(45,000)	(30,019)	14,981
NET CHANGE IN FUND BALANCES	1,188,945	(1,180,274)	2,727,273	3,907,547
Fund Balance - Beginning	28,248,924	28,248,924	28,248,924	-
Fund Balance - Ending	\$ 29,437,869	\$ 27,068,650	\$ 30,976,197	\$ 3,907,547

¹ On behalf payments of \$854,087 are included in the actual revenues and expenditures. Only \$760,144 was included in the budgeted amounts. In addition, due to the consolidation of Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final County School Services Fund budgets. On behalf payments of \$1,357,938 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

**SPECIAL EDUCATION PASS-THROUGH FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variances - Positive (Negative) Final to Actual
	Original	Final	Actual	
REVENUES				
Federal sources	\$ 3,601,161	\$ 7,000,124	\$ 3,149,087	\$ (3,851,037)
Other State sources	5,072,842	3,790,916	4,384,572	593,656
Other local sources	-	25,700	23,996	(1,704)
Total Revenues	8,674,003	10,816,740	7,557,655	(3,259,085)
EXPENDITURES				
Current				
Other outgo	8,674,003	10,765,711	7,709,798	3,055,913
Total Expenditures	8,674,003	10,765,711	7,709,798	3,055,913
Excess (Deficiency) of Revenues Over Expenditures	-	51,029	(152,143)	(203,172)
NET CHANGE IN FUND BALANCES	-	51,029	(152,143)	(203,172)
Fund Balance - Beginning	525,883	525,883	525,883	-
Fund Balance - Ending	\$ 525,883	\$ 576,912	\$ 373,740	\$ (203,172)

See accompanying note to required supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF CHANGES IN THE COUNTY OFFICE OF EDUCATION'S NET OPEB ASSET AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	\$ 392,279	\$ 381,780
Interest	521,490	491,261
Benefit payments	(502,479)	(457,838)
Actual minus expected benefit payments	56,926	-
Net change in total OPEB liability	468,216	415,203
Total OPEB liability - beginning	7,476,500	7,061,297
Total OPEB liability - ending (a)	<u>\$ 7,944,716</u>	<u>\$ 7,476,500</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 595,554	\$ 557,838
Net investment income	601,237	740,457
Benefit payments	(502,479)	(457,838)
Actual minus expected benefit payments	56,926	-
Other	7,330	-
Net change in plan fiduciary net position	758,568	840,457
Plan fiduciary net position - beginning	7,637,728	6,797,271
Plan fiduciary net position - ending (b)	<u>\$ 8,396,296</u>	<u>\$ 7,637,728</u>
COE's net OPEB asset - ending (a) - (b)	<u>\$ (451,580)</u>	<u>\$ (161,228)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	105.68%	102.16%
Covered-employee payroll	<u>\$ 23,755,780</u>	<u>\$ 21,998,183</u>
COE's net OPEB asset as a percentage of covered-employee payroll	<u>-1.90%</u>	<u>-0.73%</u>

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

See accompanying note to required supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS FOR OPEB FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Actuarially determined contribution	Not Available	Not Available
Contributions in relation to the actuarially determined contribution	\$ 595,554	\$ 557,838
Covered employee payroll	\$ 23,755,780	\$ 21,998,183
Contribution as a percentage of covered employee payroll	-2.507%	-2.536%

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

See accompanying note to required supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF OPEB INVESTMENT RETURNS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Annual money-weighted rate of return, net of investment expense	5.85%	8.35%

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

See accompanying note to required supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

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

Measurement Date as of CalSTRS	2019 6/30/2018	2018 6/30/2017
SCCOE's proportion of the net pension liability	0.0176%	0.0168%
SCCOE's proportionate share of the net pension liability	\$ 16,162,680	\$ 15,503,260
State's proportionate share of the net pension liability associated with the SCCOE	9,253,890	9,171,598
Total	\$ 25,416,570	\$ 24,674,858
SCCOE's covered - employee payroll	\$ 9,561,423	\$ 8,958,810
SCCOE's proportionate share of the net pension liability as a percentage of its covered - employee payroll	169.04%	173.05%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
SCCOE's proportion of the net pension liability	0.0815%	0.0799%
SCCOE's proportionate share of the net pension liability	\$ 21,727,160	\$ 19,067,848
SCCOE's covered - employee payroll	\$ 10,403,962	\$ 9,686,705
SCCOE's proportionate share of the net pension liability as a percentage of its covered - employee payroll	209%	197%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

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

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
<u>0.0169%</u>	<u>0.0213%</u>	<u>0.0258%</u>
<u>\$ 13,672,572</u>	<u>\$ 14,359,551</u>	<u>\$ 15,084,573</u>
<u>7,783,552</u>	<u>7,594,619</u>	<u>9,108,717</u>
<u>\$ 21,456,124</u>	<u>\$ 21,954,170</u>	<u>\$ 24,193,290</u>
<u>\$ 8,863,027</u>	<u>\$ 9,494,981</u>	<u>\$ 11,592,138</u>
<u>154.27%</u>	<u>151.23%</u>	<u>130.13%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.0760%</u>	<u>0.0800%</u>	<u>0.0878%</u>
<u>\$ 15,009,890</u>	<u>\$ 11,794,608</u>	<u>\$ 9,970,401</u>
<u>\$ 8,789,784</u>	<u>\$ 8,800,872</u>	<u>\$ 9,190,072</u>
<u>170.77%</u>	<u>134.02%</u>	<u>108.49%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	\$ 1,690,102	\$ 1,363,011
Contributions in relation to the contractually required contribution	1,690,102	1,363,011
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
SCCOE's covered - employee payroll	<u>\$ 10,404,233</u>	<u>\$ 9,561,423</u>
Contributions as a percentage of covered - employee payroll	<u>16.24%</u>	<u>14.26%</u>
 CalPERS		
Contractually required contribution	\$ 1,996,656	\$ 1,611,481
Contributions in relation to the contractually required contribution	1,996,656	1,611,481
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
SCCOE's covered - employee payroll	<u>\$ 11,072,255</u>	<u>\$ 10,403,962</u>
Contributions as a percentage of covered - employee payroll	<u>18.03%</u>	<u>15.49%</u>

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

2017	2016	2015
\$ 1,112,652	\$ 918,955	\$ 868,687
1,112,652	918,955	868,687
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,958,810	\$ 8,863,027	\$ 9,494,981
12.42%	10.37%	9.15%
\$ 1,343,511	\$ 1,037,482	\$ 1,036,441
1,343,511	1,037,482	1,036,441
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,686,705	\$ 8,789,783	\$ 8,800,872
13.87%	11.80%	11.78%

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

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

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

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

Schedule of Changes in the County Office of Education's Net OPEB Asset and Related Ratios

This schedule presents information on the SCCOE's changes in the net OPEB asset, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB asset. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuation.

Changes of Assumptions – There were no changes in assumptions since the previous valuation.

Schedule of County Office of Education Contributions for OPEB

This schedule presents information on the SCCOE's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

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

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of County Office of Education Contributions

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



SUPPLEMENTARY INFORMATION

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed through California Department of Education (CDE):				
Elementary and Secondary Education Act				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14981	\$ 178,762	\$ -
Title I, Part D, Subpart 2, Local Delinquent Programs	84.010	14357	129,828	-
Subtotal Title I			<u>308,590</u>	<u>-</u>
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	24,736	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	15391	372,984	-
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	175,000	-
Special Education IDEA Cluster				
IDEA Basic Local Assistance Entitlement	84.027	13379	3,217,532	2,816,726
IDEA Mental Health Services, Part B	84.027	14468	223,813	187,813
IDEA Preschool Local Entitlement, Part B	84.027A	13682	47,482	47,482
IDEA Preschool Grants, Part B, Section 619	84.173	13431	97,066	97,066
IDEA Preschool Staff Development	84.173A	13431	138	-
Subtotal Special Education Cluster			<u>3,586,031</u>	<u>3,149,087</u>
Special Education - Grants for Infants and Families				
IDEA Early Intervention Grants	84.181	23761	102,304	-
Passed through California Department of Rehabilitation (DOR):				
State Vocational Rehabilitation Services Program	84.126A	^[1]	135,039	-
Total U.S Department of Education			<u>4,704,684</u>	<u>3,149,087</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Department of Health Care Services:				
Medicaid Cluster				
Medi-Cal Billing Option	93.778	10013	5,085	-
Medi-Cal Administrative Activities (MAA)	93.778	10060	8,384,213	8,119,541
Subtotal Medicaid Cluster			<u>8,389,298</u>	<u>8,119,541</u>
Passed through California Department of Education:				
CCDF Cluster				
Child Care and Development Block Grant - Federal Resource and Referral	93.575	14130	39,553	-
Child Care and Development Block Grant - - CHST	93.575	14140	6,340	-
Child Care and Development Block Grant - CCIP and CCRP	93.575	13942	35,773	-
Child Care and Development Block Grant - CRET	93.575	14990	88,700	-
Child Care and Development Block Grant - CSPP	93.575	14869	28,890	-
Child Care and Development Block Grant - Local Planning Council	93.575	000326	53,117	-
Subtotal CCDF Cluster			<u>252,373</u>	<u>-</u>
Passed through Stanislaus County of Education:				
Migrant Head Start	93.600	^[1]	1,449,550	-
Total U.S Department of Health and Human Services			<u>10,091,221</u>	<u>8,119,541</u>

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. DEPARTMENT OF LABOR				
Passed through California Department of Education (CDE):				
WIOA Cluster				
WIA/WIOA Youth Activities	17.259	10055	697,822	-
Total WIOA Cluster			697,822	-
Total U.S Department of Labor			697,822	-
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education (CDE):				
Child Nutrition Cluster				
National School Lunch	10.553	13390	32,452	-
Subtotal Child Nutrition Cluster			32,452	-
Total U.S Department of Agriculture			32,452	-
Total Federal Programs			\$ 15,526,179	\$ 11,268,628

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

ORGANIZATION

Santa Cruz County is comprised of ten school districts and the County Office of Education. Within Santa Cruz County, there are thirty-six elementary schools, twelve middle schools, nine special education sites (run by the SCCOE, PVUSD has special education classrooms at all three school levels), eight high schools, two continuation schools, one community school, seventeen Alternative Education sites and thirteen charter schools. The SCCOE is also the administrative agency for one Special Education Local Plan Area (SELPA) and coordinates the Career Technical Education Partnership for four school districts.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dana Sales	President	2020
Sue Roth	Vice President	2022
Abel Sanchez	Member	2022
Rose Filicetti	Member	2022
Sandra Nichols	Member	2020
Jane Royer Barr	Member	2020
Bruce Van Allen	Member	2022

ADMINISTRATION

NAME	TITLE
Faris Sabbah	Superintendent
Mary Hart	Deputy Superintendent, Business Services (CBO)
Debi Bodenheimer	Associate Superintendent, Educational Services
Bryan Wall	Interim Deputy Superintendent of Schools

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Probation referred, on probation or parole, expelled	13.81	17.07
Total Elementary	13.81	17.07
SECONDARY		
Juvenile halls, homes, and camps	67.52	70.15
Probation referred, on probation or parole, expelled	693.47	773.79
Total Secondary	760.99	843.94
Total ADA	774.80	861.01
CHARTER SCHOOL		
Regular ADA (Non classroom based)		
Ninth through twelfth	97.36	63.64
Total Regular ADA (Non-classroom based)	97.36	63.64

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2019

Santa Cruz County Superintendent of Schools does not participate on the longer instructional day incentive. It receives funding for the longer year funding only through the special education funding model. SCCOE is in compliance with the longer year requirement as it has 180 instructional days.

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 ¹	2019	2018	2017
COUNTY SCHOOL SERVICE FUND ³				
Revenues	\$ 52,162,511	\$ 59,470,512	\$ 53,977,681	\$ 46,631,835
Other sources and transfers in	-	-	-	-
Total Revenues and Other Sources	52,162,511	59,470,512	53,977,681	46,631,835
Expenditures	55,934,685	56,713,220	50,121,757	42,637,850
Other uses and transfers out	158,799	30,019	62,955	37,728
Total Expenditures and Other Uses	56,093,484	56,743,239	50,184,712	42,675,578
INCREASE (DECREASE) IN FUND BALANCE	\$ (3,930,973)	\$ 2,727,273	\$ 3,792,969	\$ 3,956,257
ENDING FUND BALANCE	\$ 27,045,223	\$ 30,976,197	\$ 28,248,924	\$ 24,455,955
AVAILABLE RESERVES ²	\$ 2,621,903	\$ 2,570,903	\$ 2,520,010	\$ 2,492,260
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ⁴	4.69%	4.53%	5.03%	5.85%
LONG-TERM OBLIGATIONS	\$ 8,464,497	\$ 8,821,682	\$ 9,129,143	\$ 9,743,022
AVERAGE DAILY ATTENDANCE AT ANNUAL	861	861	834	888

The County School Service Fund balance has increased by \$6,520,242 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$3,930,973 (13 percent). For a COE this size, the State recommends available reserves of at least 3 percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The SCCOE has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have decreased by \$921,340 over the past two years.

Average daily attendance has decreased by 27 over the past two years. No change in ADA is anticipated during fiscal year 2019-2020.

¹ Budget 2020 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the Special Reserve Fund for Other Than Capital Outlay Projects.

³ County School Service Fund amounts include activity related to the consolidation of the Adult Education Fund, the Deferred Maintenance Fund and the Special Reserve Fund for Other Than Capital Projects as required by GASB Statement No. 54.

⁴ On behalf payments of \$2,212,025 have been included in the calculation of available reserves.

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2019

Name of Charter School	Charter School Number	Included in Audit Report
Pacific Collegiate School	0210	No
Santa Cruz County Career Advancement Charter School	1904	Yes

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2019

	Charter School Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	\$ 538,016	\$ 8,280	\$ 6,227	\$ 496,339	\$ 1,048,862
Receivables	83,199	154,742	7,069	-	245,010
Due from other funds	-	63	-	-	63
Total Assets	\$ 621,215	\$ 163,085	\$ 13,296	\$ 496,339	\$ 1,293,935
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 90,987	\$ 16,213	\$ -	\$ -	\$ 107,200
Due to other funds	259,113	71,383	13,296	-	343,792
Unearned revenue	-	37,013	-	-	37,013
Total Liabilities	350,100	124,609	13,296	-	488,005
Fund Balances:					
Restricted	15,111	-	-	496,339	511,450
Assigned	256,004	38,476	-	-	294,480
Total Fund Balance	271,115	38,476	-	496,339	805,930
Total Liabilities and Fund Balances	\$ 621,215	\$ 163,085	\$ 13,296	\$ 496,339	\$ 1,293,935

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	Charter School Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Total Non-Major Governmental Funds
REVENUES					
Revenue limit sources	\$ 970,545	\$ -	\$ -	\$ -	\$ 970,545
Federal sources	-	253,799	32,452	-	286,251
Other State sources	110,206	648,855	1,995	-	761,056
Other local sources	184,918	200,279	127	9,825	395,149
Total Revenues	<u>1,265,669</u>	<u>1,102,933</u>	<u>34,574</u>	<u>9,825</u>	<u>2,413,001</u>
EXPENDITURES					
Current					
Instruction	837,958	-	-	-	837,958
Instruction-related activities:					
School site administration	438,480	-	-	-	438,480
Pupil services:					
Food services	-	-	61,278	-	61,278
General administration:					
All other general administration	-	78,327	3,315	-	81,642
Community services	-	1,009,008	-	-	1,009,008
Total Expenditures	<u>1,276,438</u>	<u>1,087,335</u>	<u>64,593</u>	<u>-</u>	<u>2,428,366</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,769)</u>	<u>15,598</u>	<u>(30,019)</u>	<u>9,825</u>	<u>(15,365)</u>
Other Financing Sources (Uses):					
Transfers in	-	-	30,019	-	30,019
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>30,019</u>	<u>-</u>	<u>30,019</u>
NET CHANGE IN FUND BALANCES	<u>(10,769)</u>	<u>15,598</u>	<u>-</u>	<u>9,825</u>	<u>14,654</u>
Fund Balance - Beginning	<u>281,884</u>	<u>22,878</u>	<u>-</u>	<u>486,514</u>	<u>791,276</u>
Fund Balance - Ending	<u>\$ 271,115</u>	<u>\$ 38,476</u>	<u>\$ -</u>	<u>\$ 496,339</u>	<u>\$ 805,930</u>

See accompanying note to supplementary information.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

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 SCCOE and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the 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 statement. The SCCOE has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts primarily consist of WIOA Youth Activities and Medi-Cal Administrative Activities funds that have been recorded in the current period as revenues that have not been fully expended as of June 30, 2019. These unspent balances are reported as assigned ending balances within the County School Service Fund. In addition, a reconciling item consists of Medi-Cal Billing Option funds that in a previous period were recorded as revenues but were unspent. Some of these unspent funds were expended in the current period.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 16,436,151
WIOA Youth Activities	17.259	(85,824)
Medi-Cal Billing Option	93.778	5,084
Medi-Cal Administrative Activities (MAA)	93.778	<u>(829,232)</u>
Total Schedule of Expenditures of Federal Awards		<u>\$ 15,526,179</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Schedule of Instructional Time

Education Code Section 46201.5 extended the longer instructional day incentive funding for County Offices of Education that provide special day classes. The SCCOE does not participate in the incentive funding for increasing instructional time as provided by the Incentives for Longer Instruction Day. The SCCOE does participate in the longer year funding for special education classes.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the Santa Cruz 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.

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

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



INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Santa Cruz County Superintendent of Schools
Santa Cruz, 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 Santa Cruz County Superintendent of Schools (the SCCOE) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Santa Cruz County Superintendent of Schools' basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Santa Cruz County Superintendent of Schools' 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 Santa Cruz County Superintendent of Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Santa Cruz County Superintendent of Schools' 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 SCCOE's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Cruz County Superintendent of Schools' 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

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

San Ramon, California
December 16, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Santa Cruz County Superintendent of Schools
Santa Cruz, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Santa Cruz County Superintendent of Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Santa Cruz County Superintendent of Schools 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 Santa Cruz County Superintendent of Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Santa Cruz County Superintendent of Schools' 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 Santa Cruz County Superintendent of Schools' internal control over compliance.

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

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

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



San Ramon, California
December 16, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Santa Cruz County Superintendent of Schools
Santa Cruz, California

Report on State Compliance

We have audited Santa Cruz County Superintendent of Schools' (the SCCOE) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Santa Cruz County Superintendent of Schools' State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Santa Cruz County Superintendent of Schools' State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Santa Cruz County Superintendent of Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Santa Cruz County Superintendent of Schools' compliance with those requirements.

Unmodified Opinion

In our opinion, Santa Cruz County Superintendent of Schools' complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Santa Cruz County Superintendent of Schools' compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The SCCOE's kindergarten students are retained using an Individualized Education Program based on the identified special needs; therefore, we did not perform procedures related to Kindergarten Continuance.

The SCCOE does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Attendance Program.

The SCCOE is not required to meet the Instructional Time, Ratio of Administrative Employees to Teachers, and Classroom Teacher Salaries requirements; therefore we did not perform procedures related to Instructional Time, Ratio of Administrative Employees to Teachers and Classroom Teacher Salaries.

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

The SCCOE does not offer a Middle or Early College High School Program; therefore, we did not perform procedures related to the Middle or Early College High School Program.

The SCCOE is not required to meet the K-3 Grade Span Adjustment and Transportation Maintenance of Effort requirements; therefore we did not perform procedures related to the K-3 Grade Span Adjustment and Transportation Maintenance of Effort.

The SCCOE does not offer an Apprenticeship Program; therefore we did not perform procedures related to the Apprenticeship Program.

The SCCOE does not offer a District of Choice Program; therefore we did not perform any procedures related to the District of Choice Program.

The SCCOE does not offer an After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

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

The SCCOE's Charter School is Non Classroom Based/Independent Study instruction; therefore, we did not perform any procedures related to Charter School Classroom Based Instruction.

The SCCOE does not participate in the Charter School Facility Grant Program; therefore we did not perform any procedures related to the Charter School Facility Grant Program.

A handwritten signature in cursive script that reads "Ede Sallly LLP".

San Ramon, California
December 16, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's 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>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027; 84.027A; 84.173; 84.173A</u>	<u>Special Education Cluster</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

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

SANTA CRUZ COUNTY SUPERINTENDENT OF SCHOOLS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

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



SANTA CRUZ
COUNTY OFFICE OF
EDUCATION
DR. FARIS SABBABH • SUPERINTENDENT OF SCHOOLS

SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

☐

Action

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Information

TO: Santa Cruz County Board of Education

FROM: Edward Sklar, Attorney, Lozano Smith

SUBJECT: Charter Legislation Training

BACKGROUND

A number of new pieces of legislation will revise several governing provisions pertaining to charter schools regarding the ways in which petitions are submitted, appealed, and revoked. They will also specify new criteria and procedures for the consideration and determination of these issues. The Board will receive a training on these new laws in order to understand changes to existing law.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Receive presentation.

FUNDING IMPLICATIONS

None.



SANTA CRUZ
COUNTY OFFICE OF
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DR. FARIS SABBABH • SUPERINTENDENT OF SCHOOLS

SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

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Action

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Information

TO: Santa Cruz County Board of Education

FROM: Julia Chiapella, Director, Young Writers Program

SUBJECT: Young Writers Program

BACKGROUND

The Board will receive a presentation about updates and accomplishments of the COE Young Writers Program (YWP). The presentation will explain who the program has served, the role it has taken in our community, and highlight the publications that students have produced through this program.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Receive report.

FISCAL IMPLICATIONS:

Explained within presentation.



SANTA CRUZ
COUNTY OFFICE OF
EDUCATION
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SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

☐

Action

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Information

TO: Santa Cruz County Board of Education

FROM: Dr. Faris Sabbah, County Superintendent of Schools

SUBJECT: Extension Granted to Review and Approve PCS MOU

BACKGROUND

The County Superintendent of Schools will announce that Pacific Collegiate Charter School has requested additional time to review Santa Cruz COE's proposed Memorandum of Understanding required to approve the Petition to Renew Pacific Collegiate Charter School, which was originally due to the Santa Cruz County Board of Education on January 16, 2020. The Board will now review the executed MOU at the next regular meeting on February 20, 2020.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Receive information.

FISCAL IMPLICATIONS:

None.



SANTA CRUZ
COUNTY OFFICE OF
EDUCATION
DR. FARIS SABBABH • SUPERINTENDENT OF SCHOOLS

SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

☒ X

Action



Information

TO: Santa Cruz County Board of Education

FROM: Bill Smallman, Petitioner (Parent)

SUBJECT: Interdistrict Transfer Appeal Hearing #20-01

BACKGROUND

The Board will hold an Interdistrict Transfer Appeal Hearing concerning a student wishing to attend school in the Scotts Valley Unified School District.



SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

☒

Action



Information

TO: Santa Cruz County Board of Education

FROM: Board Community Outreach & Legislative Committee

SUBJECT: Resolution #20-01 in Support of CA Proposition 13

BACKGROUND

The Board will be asked to adopt Resolution #20-01 in support of Proposition 13: Public Preschool, K-12, and College Health and Safety Bond Act of 2020. The funds would provide resources for the renovation and upgrade of existing classrooms and laboratories that enhance teaching and learning, for the construction and expansion of schools to accommodate growth, and for career technical education facilities to enhance job and career training. If the bond passes, it would provide \$15 billion for facilities at the state's preschools, k-12 schools, community colleges, and four year colleges and universities.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Approve Resolution #20-01.

FISCAL IMPLICATIONS:

Listed within following pages.



RESOLUTION #20-01

RESOLUTION IN SUPPORT OF PROPOSITION 13: PUBLIC PRESCHOOL, K-12, AND COLLEGE HEALTH & SAFETY BOND ACT OF 2020, ASSEMBLY BILL 48

WHEREAS, all students deserve safe, welcoming, and stimulating learning environments that support personal well-being and academic success; and

WHEREAS, the school bond funds help schools provide safe facilities that offer learning opportunities required for a high-quality 21st-century education; and

WHEREAS, normal wear and tear and new technologies have rendered a substantial number of California's classrooms insufficient to meet the 21st-century educational needs of students and provide environmental efficiencies; and

WHEREAS, Proposition 13, the **Public Preschool, K-12, and College Health and Safety Bond Act of 2020**, provides resources for the renovation and upgrade of existing classrooms, for campuses that increase student and staff safety, for classrooms and laboratories that enhance teaching and learning, for the construction and expansion of schools to accommodate growth, and for career technical education facilities to improve job and career training; and

WHEREAS, the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 will provide state matching funds that are prioritized for schools with pressing health & safety concerns; and

WHEREAS, the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 will help ensure clean drinking water for our students through testing and remediation of lead levels in water at school sites; and

WHEREAS, the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 will provide additional funding for energy efficiency, earthquake safety, removal of hazardous materials, and more; and

WHEREAS, the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 will provide a fair and equitable distribution of funds to schools where they are

most needed and provide specific assistance to small school districts throughout the state; and

WHEREAS, the State of California has committed funds from all previous bond measures and is currently facing an increasing backlog of unfunded needs; and

WHEREAS, the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 will appear on the March 5, 2020 ballot and become operative only if approved by voters; and

WHEREAS, the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 will provide \$15 billion for facilities at the state's preschools, K-12 schools, community colleges, and four-year colleges and universities; and

WHEREAS, 13,000 jobs are created for each \$1 billion in school facility infrastructure investment¹; and

WHEREAS, Proposition 98 and the Local Control Funding Formula, which provide general fund operational revenues for schools, do not provide facilities funding; and

WHEREAS, quality 21st-century school facilities designed to meet student need enhance academic achievement and further the state's scholastic and economic goals; and

WHEREAS, investments in modern school facilities are investments in our youth, our communities, our economy, and our shared future; and

WHEREAS, the California School Boards Association and a large public-private coalition supports the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 will;

NOW, BE IT FURTHER RESOLVED, that the Santa Cruz County Board of Education supports Proposition 13, the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 on the March 3, 2020 statewide ballot.

PASSED AND ADOPTED:

DATED: January 16, 2020

Board Member

Board Member

Board Member

Board Member

Board Member

Board Member

Board Member

Board Secretary



SANTA CRUZ COUNTY BOARD OF EDUCATION

AGENDA ITEM

Board Meeting Date: Jan. 16, 2020

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Action



Information

TO: Santa Cruz County Board of Education

FROM: Board Community Outreach & Legislative Committee

SUBJECT: Resolution #20-02 in Support of Measures T & U

BACKGROUND

The Board will be asked to adopt Resolution #20-02 in Support of Measure T & U for our local high schools. The purpose of both measures would be to protect and maintain the quality of education of Santa Cruz City Schools' (SCCS) high schools. The passing of Measure T would continue previously approved, locally controlled funding, keeping overall tax rates flat. Measure U would renew existing locally-controlled funding for instructional enrichment and student-support services, and would implement an \$18/year parcel tax.

SUPERINTENDENT'S RECOMMENDATION FOR BOARD ACTION:

Approve Resolution #20-02.

FISCAL IMPLICATIONS:

Listed within following pages.



Why We NEED Measure T

For our Local High Schools

VOTE YES on Measure T **WITHOUT RAISING LOCAL TAX RATES**, to continue protecting the quality of education in local high schools, attracting and retaining highly qualified teachers, and helping local students get college- and career-ready.

Our local high schools – Harbor, Santa Cruz, and Soquel High Schools, and Branciforte Small Schools - work hard with students from Santa Cruz, Soquel, Live Oak, Capitola, Bonny Doon, Davenport, Happy Valley and surrounding communities, to prepare them for success in college, careers and life. Advanced courses and enrichment in math, science, technology, the arts, and career training help make that possible.

High school students and teachers thrive here thanks in part to two local parcel taxes that voters have repeatedly renewed over the years. Now, Measure T's goal is to extend **and simplify by combining** (NOT increasing) these two vital funding streams into one dependable funding source.

Measure T WON'T increase your tax rate. VOTING YES simply continues previously approved, locally controlled funding, **keeping your overall tax rate FLAT.**

Measure T continues:

- Preserving Career Technical Education (ROP) programs
- Providing technology and engineering educational initiatives
- Maintaining library and counseling services
- Keeping visual and performing arts and after-school enrichment programs
- Supporting athletic programs that keep students safe, healthy and engaged in school.

Taxpayer protections are REQUIRED. By law, ALL funds go to Harbor, Santa Cruz and Soquel High Schools and Branciforte Small Schools ONLY. NO funds are allowed for administrators' salaries. Citizens' Oversight, mandatory audits and public reporting ensure proper spending.

Measure T provides an exemption for senior citizens.

With or without school-age children, Measure T is a wise investment. Great schools protect property values and help keep communities strong.

Teachers, parents, and civic and business leaders throughout our community URGE YOUR SUPPORT.

Please, VOTE YES on T - support local high schools **WITHOUT increasing your tax rate.** Thank you!

www.friendsofsantacruzcityschools.com

NO ARGUMENT AGAINST MEASURE T WAS FILED

For Measure U Case Statement, see other side.



Why We NEED Measure U

For Santa Cruz K-8 Schools

VOTE YES on Measure U to maintain the quality of education in Santa Cruz K-8 schools – Bay View, DeLaveaga, Gault, Monarch and Westlake Elementary Schools, and Branciforte and Mission Hill Middle Schools. Nothing is more important than helping our children prepare for success in high school, college, careers and life.

The State of California's education funding formula is under-funding Santa Cruz City Schools (SCCS). Thankfully, our community has stepped in to fill the gap, repeatedly approving local parcel taxes that fund exceptional teachers, small class sizes, challenging instructional programs, outstanding science, art and music curricula, and essential student-support services.

Your YES VOTE on U authorizes three things to continue these protections: 1) **renewal** of existing locally-controlled funding for instructional enrichment and student-support services; 2) **simplifying by combining** two existing parcel taxes into **one** stable funding source; and 3) **adding** a small increase, just \$18 a year (\$1.50 per month), to maintain essential elementary and middle school programs. That's a small price to protect the quality of education in SCCS schools.

Measure U will:

- Attract and retain highly qualified teachers
- Protect small class sizes
- Maintain instructional programs in science, music and the arts
- Provide library and counseling services
- Support programs that help students at risk of falling behind or dropping out.

Senior citizens will continue to be eligible for an exemption.

REQUIRED TAXPAYER SAFEGUARDS:

- **ALL funds STAY LOCAL** for Santa Cruz K-8 schools.
- NO funds are allowed for administrators' salaries.
- Independent Citizens' Oversight and mandatory audits ensure proper spending.
- These funds cannot be taken by the State or used for other purposes.

Stand with parents, teachers, local business and civic leaders and residents across Santa Cruz who know that good schools are the foundation of a healthy, thriving community.

Please – for our children and our community - VOTE YES on U.

www.friendsofsantacruzcityschools.com

NO ARGUMENT AGAINST MEASURE U WAS FILED

For Measure T Case Statement, see other side.



RESOLUTION #20-01
IN SUPPORT OF THE SANTA CRUZ CITY SCHOOLS
ELEMENTARY AND SECONDARY DISTRICTS MEASURES T AND U
IN THE MARCH 3, 2020 PRIMARY ELECTION

WHEREAS, Santa Cruz City Schools provides 21st-century learning instruction that prepares students for college and future careers; and

WHEREAS, Santa Cruz City Schools' highly-qualified teachers and strong academic and career technical education programs provide the tools students need to succeed in the workforce; and Santa Cruz voters' ongoing support for Santa Cruz City Schools has helped improve the quality of education with essential library, counseling, visual and performing arts and music programs, after school programs that keep students safe, healthy, and engaged in school, commitment to small classes, hands-on science, and credentialed librarians; and if local funding sources cease, the District would be forced to examine eliminating these programs; and

WHEREAS, to continue Santa Cruz City Schools' commitment to protecting quality education, especially in light of California's status as 41st in the nation for school funding, Santa Cruz City Schools' Board proposes to call an election and submit to the voters of the District the question whether the District shall continue levying a parcel tax within the District for the purpose of continuing vital funding to support TK-12 programs in the District; and

WHEREAS, local funding measures strengthen the local economy by ensuring local high school graduates have the skills they need for the workplace, and help improve the quality of teaching and academics in classrooms, while also protecting property values by maintaining quality local schools; and

WHEREAS, the Santa Cruz City Schools Board of Trustees has placed Measures T and U on the ballot for the March 3, 2020 primary election to support critical programs for student success; and

WHEREAS, ALL Measure T and U funds stay LOCAL to benefit our Santa Cruz City Schools and maintain our local quality of education; none of these funds can be taken away by the State or used for other purposes;

THEREFORE, be it resolved the Santa Cruz County Board of Education endorses ballot Measures T and U and recommends the voters renew this local funding to continue the identified programs in Santa Cruz City Schools.

PASSED AND ADOPTED January 16, 2020:

Board Member

Board Member

Board Member

Board Member

Board Member

Board Member

Board Member

Board Secretary