Financial Statements
June 30, 2020

San Luis Obispo County Office of Education

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Luis Obispo County Office of Education (the County) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Luis Obispo County Office of Education, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on pages 60 through 61, schedule of changes in the District's net OPEB liability and related ratios on page 62, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 63, schedule of the District's proportionate share of the net pension liability on page 64, and the schedule of District contributions on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Luis Obispo County Office of Education's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2021 on our consideration of San Luis Obispo County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Luis Obispo County Office of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Luis Obispo County Office of Education's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
March 22, 2021

This section of San Luis Obispo County Office of Education's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2020, with comparative information from the fiscal year ending June 30, 2019. Please read it in conjunction with the County's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the County as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the County using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County’s net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the County’s financial health, or financial position. Over time, increases or decreases in the County’s net position will serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other factors to consider are changes in the County’s property tax base and the condition of the County's facilities.

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

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

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

REPORTING THE COUNTY’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE COUNTY AS A TRUSTEE

Reporting the County Fiduciary Responsibilities

The County is the trustee, or fiduciary, for funds held on behalf of others, like our funds for the pass-through agency fund. The County's fiduciary activities are reported in the Statements of Fiduciary Net Position. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- The County's financial status has increased. Total net position increased approximately 75.4 percent over the course of the year.
- Overall revenues were $47,047,515, which is $2,821,945 less than expenditures.
- The County decreased its capital assets $4,212,991 or 16.7 percent.
- The County decreased its outstanding long-term obligations $184,861 or 0.6 percent.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was $1,953,262 for the fiscal year ended June 30, 2020. Of this amount, $(21,419,362) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the County's governmental activities.

Table 1

	Governmental Activities 2020	Governmental Activities 2019
Assets		
Current and other assets	$ 26,106,172	$ 26,748,980
Non-current assets	3,268,649	1,354,147
Capital assets	21,043,580	25,256,571
Total assets	50,418,401	53,359,698
Deferred outflows of resources	5,070,975	5,572,489
Liabilities		
Current liabilities	19,201,812	17,022,675
Long-term liabilities	31,362,886	31,547,747
Total liabilities	50,564,698	48,570,422
Deferred inflows of resources	2,971,416	2,412,279
Net Position		
Net investment in capital assets	21,022,580	25,214,571
Restricted	2,350,044	2,473,253
Unrestricted	(21,419,362)	(19,738,338)
Total net position	$ 1,953,262	$ 7,949,486

Changes in Net Position

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

As reported in the *Statement of Activities* on page 13, the cost of all of our governmental activities this year was $53,023,683. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $12,067,228, because the cost was paid by those who benefited from the programs ($5,917,797), or by other governments and organizations who subsidized certain programs with grants and contributions ($22,454,300). We paid for the remaining "public benefit" portion of our governmental activities with $2,275,626 in Federal and State funds, and with other revenues $4,312,508, like interest and general entitlements.

Table 2

	Governmental Activities 2020	Governmental Activities 2019
Revenues		
Program revenues		
Charges for services	$ 5,917,797	$ 5,635,911
Operating grants and contributions	22,454,300	23,667,463
General revenues		
Federal and State aid not restricted	2,275,626	4,676,729
Property taxes	12,067,228	11,947,357
Other general revenues	4,312,508	3,464,513
Total revenues	47,027,459	49,391,973
Expenses		
Instruction-related	17,187,965	13,963,278
Pupil services	2,434,016	3,050,735
Administration	6,279,434	5,910,620
Plant services	4,344,115	2,464,265
Other	22,778,153	20,901,192
Total expenses	53,023,683	46,290,090
Change in net position	$ (5,996,224)	$ 3,101,883

Governmental Activities

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 17,187,965	$ 13,963,278	$ (7,222,220)	$ (3,140,002)
Pupil services	2,434,016	3,050,735	(695,868)	(613,379)
Administration	6,279,434	5,910,620	(4,926,025)	(4,565,735)
Plant services	4,344,115	2,464,265	(3,801,157)	(2,061,224)
All other services	22,778,153	20,901,192	(8,006,316)	(6,606,376)
Total	$ 53,023,683	$ 46,290,090	$ (24,651,586)	$ (16,986,716)

- The users of the County's programs financed some of the cost.
- The Federal and State governments subsidized many program costs with grants and contributions. The taxpayers of San Luis Obispo County supported the County and County programs with their property taxes. The County received a total of $24,538,407 in property taxes of which $12,801,834 transferred to San Luis Obispo County School District's and the County's Special Education Programs, leaving $11,736,573 in reported property taxes. Part of these taxes is used to support County Alternative Education programs. Another portion is used for the operations of the County Office administration. The balance, in the amount of $5,600,881 is considered excess property taxes and is reserved until the following year; therefore, it is not spendable by Education Code Section2558(e) "If the remainder determined pursuant to subdivision (c) is a negative amount, no state aid shall be distributed to that county superintendent of schools pursuant to subdivision (d), and an amount of funds of that county superintendent of schools equal to that negative amount shall be deemed restricted and not available for expenditure during the current fiscal year. In the next fiscal year, that amount shall be considered local property tax revenue for purposes of the operation of paragraph (1) of subdivision (c)".

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the District completed the fiscal year, our governmental funds reported a combined fund balance of $6,904,360, which is a decrease of $2,821,945 from last year (Table 4).

Table 4

	Balances and Activity			
Governmental Funds	June 30, 2019	Revenues	Expenditures	June 30, 2020
County School Service	$ 9,407,026	$ 31,646,323	$ 34,524,300	$ 6,529,049
Special Education Pass-Through	92,136	13,893,327	13,766,338	219,125
Non-Major Governmental	227,143	1,507,865	1,578,822	156,186
Total	$ 9,726,305	$ 47,047,515	$ 49,869,460	$ 6,904,360

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

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

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

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

- Changes made at the 1st Interim Budget Revision included increasing unrestricted revenues and expenditures to reflect the receipt of COE LCAP oversight funds; Restricted Federal and State revenues and expenses were increased to reflect prior year carryover. Other Local Revenues were increased to reflect new long-term facility lease agreements.

- Changes made at the 2nd Interim Budget Revision included decreasing unrestricted salaries and benefits to reflect attrition; Increased Restricted expenditures to reflect changes in grant and program expenses

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the County had net $21,043,580 in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease (including additions and depreciation) of $4,212,991, or 16.7%, below last year.

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	$ 2,380,682	$ 3,516,664
Buildings and improvements	17,914,743	21,145,119
Equipment	748,155	594,788
Total	$ 21,043,580	$ 25,256,571

Long-Term Liabilities

At the end of this year, the County had $31,362,886 in long-term liabilities outstanding versus $31,547,747 last year, an decrease of 0.6%. Long-term liabilities at June 30, 2020, consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
Compensated absences	$ 431,153	$ 432,734
Child care facilities revolving fund loan	21,000	42,000
Net OPEB liability	8,913,202	8,900,449
Aggregate net pension liability	21,997,531	22,172,564
Total	$ 31,362,886	$ 31,547,747

FACTORS BEARING ON THE COUNTY'S FUTURE

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

	Governmental Activities
Assets	
Deposits and investments	$ 10,476,115
Receivables	15,405,609
Prepaid items	224,448
Lease revenue receivable	3,268,649
Capital assets not depreciated	2,380,682
Capital assets, net of accumulated depreciation	18,662,898
Total assets	50,418,401
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	5,070,975
Liabilities	
Overdrafts	1,559
Accounts payable	19,063,653
Unearned revenue	136,600
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	21,000
Long-term liabilities other than OPEB and pensions due in more than one year	431,153
Net other postemployment benefits liability	8,913,202
Aggregate net pension liability	21,997,531
Total liabilities	50,564,698
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	2,971,416
Net Position	
Net investment in capital assets	21,022,580
Restricted for	
Educational programs	2,079,250
Other restrictions	270,794
Unrestricted	(21,419,362)
Total net position	$ 1,953,262

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 6,746,676	$ 1,738,813	$ 3,611,798	$ (1,396,065)
Instruction-related activities				
Supervision of instruction	9,411,082	814,003	3,342,473	(5,254,606)
Instructional library, media, and technology	112,697	-	-	(112,697)
School site administration	917,510	168,720	289,938	(458,852)
Pupil services				
Food services	205,918	763	35,242	(169,913)
All other pupil services	2,228,098	373,794	1,328,349	(525,955)
Administration				
Data processing	1,496,119	-	-	(1,496,119)
All other administration	4,783,315	406,820	946,589	(3,429,906)
Plant services	4,344,115	257,666	285,292	(3,801,157)
Ancillary services	672,725	-	-	(672,725)
Community services	1,054,105	20,966	701,693	(331,446)
Enterprise services	131,684		-	(131,684)
Other outgo	20,919,639	2,136,252	11,912,926	(6,870,461)
Total governmental activities	$ 53,023,683	$ 5,917,797	$ 22,454,300	(24,651,586)
General Revenues and Subventions				
Property taxes, levied for general purposes				$ 11,565,486
Taxes levied for other specific purposes				501,742
Federal and State aid not restricted to specific purposes				2,275,626
Interest and investment earnings				320,771
Interagency revenues				1,194,890
Miscellaneous				2,796,847
Subtotal, general revenues				18,655,362
Change in Net Position				(5,996,224)
Net Position - Beginning				7,949,486
Net Position - Ending				$ 1,953,262

	County School Services Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	$ 9,772,019	$ 590,459	$ 113,637	$ 10,476,115
Receivables	6,090,578	9,236,875	78,156	15,405,609
Prepaid expenditures	224,448	-	-	224,448
Total assets	$ 16,087,045	$ 9,827,334	$ 191,793	$ 26,106,172
Liabilities and Fund Balances				
Liabilities				
Overdrafts	$ -	$ -	$ 1,559	$ 1,559
Accounts payable	9,421,396	9,608,209	34,048	19,063,653
Unearned revenue	136,600	-	-	136,600
Total liabilities	9,557,996	9,608,209	35,607	19,201,812
Fund Balances				
Nonspendable	249,923	-	-	249,923
Restricted	2,079,250	219,125	51,669	2,350,044
Assigned	2,990,989	-	104,517	3,095,506
Unassigned	1,208,887	-	-	1,208,887
Total fund balances	6,529,049	219,125	156,186	6,904,360
Total liabilities and fund balances	$ 16,087,045	$ 9,827,334	$ 191,793	$ 26,106,172

Total Fund Balance - Governmental Funds		$ 6,904,360
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	$ 40,966,949	
Accumulated depreciation is	(19,923,369)	
Net capital assets		21,043,580
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to Net pension liability.		5,070,975
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to Net pension liability.		(2,971,416)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(21,997,531)
The District's OPEB liability is not due and payable in the current period period, and is not reported as a liability in the funds.		(8,913,202)
Revenues relating to lease payments received for lease receivable were recognized on the modified accrual basis, but are not recognized on the accrual basis.		3,268,649
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
Child care facilities revolving fund loan	(21,000)	
Compensated absences (vacations)	(431,153)	
Total long-term liabilities		(452,153)
Total net position - governmental activities		$ 1,953,262

	County School Services Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	$ 13,266,521	$ -	$ -	$ 13,266,521
Federal sources	3,037,914	7,143,838	60,465	10,242,217
Other State sources	4,526,547	6,749,489	810,010	12,086,046
Other local sources	10,813,167	-	218,816	11,031,983
Total revenues	31,644,149	13,893,327	1,089,291	46,626,767
Expenditures				
Current				
Instruction	6,123,878	-	-	6,123,878
Instruction-related activities				
Supervision of instruction	8,959,388	-	-	8,959,388
Instructional library, media, and technology	89,119	-	-	89,119
School site administration	795,106	-	-	795,106
Pupil services				
Food services	61,381	-	132,927	194,308
All other pupil services	1,996,698	-	-	1,996,698
Administration				
Data processing	1,154,185	-	-	1,154,185
All other administration	4,489,982	-	105,247	4,595,229
Plant services	2,136,524	-	175,680	2,312,204
Ancillary services	643,591	-	-	643,591
Community services	22,918	-	981,156	1,004,074
Other outgo	6,720,344	13,766,338	12,209	20,498,891
Enterprise services	129,347	-	-	129,347
Facility acquisition and construction	762,265	-	169,429	931,694
Debt service				
Principal	21,000	-	-	21,000
Total expenditures	34,105,726	13,766,338	1,576,648	49,448,712
Excess (Deficiency) of Revenues Over Expenditures	(2,461,577)	126,989	(487,357)	(2,821,945)
Other Financing Sources (Uses)				
Transfers in	2,174	-	418,574	420,748
Transfers out	(418,574)	-	(2,174)	(420,748)
Net Financing Sources (Uses)	(416,400)	-	416,400	-
Net Change in Fund Balances	(2,877,977)	126,989	(70,957)	(2,821,945)
Fund Balance - Beginning	9,407,026	92,136	227,143	9,726,305
Fund Balance - Ending	$ 6,529,049	$ 219,125	$ 156,186	$ 6,904,360

Total Net Change in Fund Balances - Governmental Funds		$ (2,821,945)
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 expense exceed capital outlays in the period.		
Capital outlays	$ 1,141,966	
Depreciation expense	(1,166,235)	
Net expense adjustment		(24,269)
Gain on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(2,505,030)
Receipt of lease receivable is a revenue in the governmental funds, but it reduces lease receivable in the statement of net position.		230,810
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		1,581
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(885,618)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the net OPEB liability during the year.		(12,753)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Child care facilities revolving fund loan		21,000
Change in net position of governmental activities		$ (5,996,224)

	Agency Funds Funds Held On Behalf of Other Agencies
Assets	
Deposits and investments	$ 3,962,098
Liabilities	
Due to other agencies	$ 3,962,098

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Other Related Entities

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

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

County School Service Fund The County School Service Fund is the chief operating fund for all county offices of education. It is used to account for the ordinary operations of a county office of education. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

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

As a result, the County School Service Fund reflects an increase in the fund balance of $1,588,677.

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

Non-Major Governmental Funds

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

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

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

- **Forest Reserve Fund** The Forest Reserve Fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (Education Code Section 2300; Government Code Section 29484).

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

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

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the County'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 County under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the County's own programs. The County has no trust funds. 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 County's agency funds include Payroll Clearing Account. This is an Agency fund used to account for the resources accumulated for the payment of payroll taxes of the County and school districts within the County.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide financial statement of activities presents a comparison between expenses, both direct and indirect, and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County. Eliminations have been made to minimize the double counting of internal activities.

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

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

- **Governmental Funds** All governmental funds are accounted for using a 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

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

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

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

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

Investments

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

Prepaid Expenditures (Expenses)

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

Compensate 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 County's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The County has no related obligations outstanding as of June 30, 2020. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $2,350,044 is restricted by enabling legislation.

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

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.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

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.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

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.

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.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the County's financial statements have not yet been determined.

In August 2018, the GASB issued Statement No. 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% 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% 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.

As a result of the implementation of GASB No. 95, 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. The effects of this change on the County's financial statements have not yet been determined.

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.

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.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021 All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the County's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The effects of this change on the County's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	$ 10,476,115
Fiduciary funds	3,962,098
Total deposits and investments	$ 14,438,213

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

Cash on hand and in banks	$ 3,976,859
Cash in revolving	25,475
Investments	10,435,879
Total deposits and investments	$ 14,438,213

Policies and Practices

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

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County manages its exposure to interest rate risk by investing in the State and San Luis Obispo County Investment Pools.

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

Weighted Average Maturity

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

Investment Type	Reported Amount	Weighted Average Days To Maturity /Maturity Date
Governmental Funds		
State Investment Pool	$ 276	165
San Luis Obispo County Investment Pool	10,435,603	205
Total	$ 10,435,879	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the County's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. The San Luis Obispo County Investment Pool was rated "AAAf/S1" by Fitch Ratings. The County's investment in the Local Agency Investment Pool is not required to be rated, nor has it been rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first 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, 2020, the County's bank balance of $3,712,098 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the County.

Note 3 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	County School Services Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	$ 559,216	$ 7,085,442	$ -	$ 7,644,658
State Government				
LCFF apportionment	5,139	-	-	5,139
Categorical aid	4,375,980	2,151,433	31,492	6,558,905
Lottery	8,324	-	-	8,324
Local Government				
Other local sources	1,141,919	-	46,664	1,188,583
Total	$ 6,090,578	$ 9,236,875	$ 78,156	$ 15,405,609

Note 4 - Lease Receivable

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

	Chalk Mountain Community School	Mesa View Community School	Total
Balance, July 1, 2019	$ 1,354,147	$ -	$ 1,354,147
Additions	-	2,145,312	2,145,312
Payments	(96,728)	(134,082)	(230,810)
Balance, July 1, 2020	$ 1,257,419	$ 2,011,230	$ 3,268,649

The lease receivable have minimum lease receipts as follows:

Year Ending June 30,	Chalk Mountain Community School Lease Payment	Mesa View Community School Lease Payment
2021	$ 96,725	$ 134,082
2022	96,725	134,082
2023	96,725	134,082
2024	96,725	134,082
2025	96,725	134,082
Thereafter	773,794	1,340,820
Present value of minimum lease receivable	$ 1,257,419	$ 2,011,230

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 2,867,682	$ -	$ (487,000)	$ 2,380,682
Construction in progress	648,982	-	(648,982)	-
Total capital assets not being depreciated	3,516,664	-	(1,135,982)	2,380,682
Capital assets being depreciated				
Land improvements	462,629	722,997	-	1,185,626
Buildings and improvements	39,218,477	746,304	(5,319,012)	34,645,769
Furniture and equipment	2,433,225	321,647	-	2,754,872
Total capital assets being depreciated	42,114,331	1,790,948	(5,319,012)	38,586,267
Total capital assets	45,630,995	1,790,948	(6,454,994)	40,966,949
Accumulated depreciation				
Land improvements	(143,508)	(30,807)		(174,315)
Buildings and improvements	(18,392,479)	(967,148)	1,617,290	(17,742,337)
Furniture and equipment	(1,838,437)	(168,280)		(2,006,717)
Total accumulated depreciation	(20,374,424)	(1,166,235)	1,617,290	(19,923,369)
Governmental activities capital assets, net	$ 25,256,571	$ 624,713	$ (4,837,704)	$ 21,043,580

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 335,292
Supervision of instruction	179,312
Instructional library, media, and technology	22,779
School site administration	83,590
Food services	6,225
All other pupil services	128,527
Data processing	118,353
All other administration	162,573
Plant services	129,584
Total depreciation expenses governmental activities	$ 1,166,235

Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

The County School Service Fund transferred to the Child Development Non-Major Governmental Fund to support operations of the program.	$ 260,733
The County School Service Fund transferred to the Cafeteria Non-Major Governmental Fund to cover costs.	97,841
The County School Service Fund transferred to the Special Reserve Fund Non-Major Governmental Fund for Capital Outlay Projects for project costs.	60,000
The Forest Reserve Non-Major Governmental Fund transferred to the County School Service Fund for interest earned.	2,174
Total	$ 420,748

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	County School Services Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 1,711,520	$ -	$ -	$ 1,711,520
State LCFF apportionment	6,169,531	-	-	6,169,531
Salaries and benefits	885,600	-	34,048	919,648
Pass-through special education apportionment	654,745	9,608,209	-	10,262,954
Total	$ 9,421,396	$ 9,608,209	$ 34,048	$ 19,063,653

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consisted of the following:

	County School Service Fund
Federal financial assistance	$ 136,133
State categorical aid	467
Total	$ 136,600

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

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
Compensated absences	$ 432,734	$ -	$ (1,581)	$ 431,153	$ -
Child Care Facilities Revolving Fund Loans	42,000	-	(21,000)	21,000	21,000
Total	$ 474,734	$ -	$ (22,581)	$ 452,153	$ 21,000

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

Compensated Absences

Compensated absences (unpaid employee vacation) for the County at June 30, 2020, amounted to $431,153.

Child Care Facilities Revolving Fund Loan

Pursuant to the provisions of the Education Code Section 8278.3, the California Department of Education (CDE) and the County entered into a contract and lease to own agreement. The agreement called for the CDE to pay the County an amount not to exceed $210,000 for the purchase and installation of the facility, State Preschool at 36th and Oak in the City of Paso Robles. Repayment of funds provided by the CDE shall begin 180 days after the final funds are released. As of June 30, 2020, the balance outstanding was $21,000. The repayment schedule shall be in the amount sufficient to amortize the entire cost of the funds provided over a ten (10) year period.

Future payments are as follows:

Year Ending June 30,	Principal
2021	$ 21,000

Note 10 - Net Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the County reported net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	OPEB Expense
Retiree Health Plan	$ 8,849,806	$ 21,780
Medicare Premium Payment (MPP) Program	63,396	(9,027)
Total	$ 8,913,202	$ 12,753

The details of each plan are as follows:

County Plan

Plan Administration

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

Plan Membership

At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	56
Active employees	1
Total	57

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the County are established and may be amended by the County, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the County, TEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2020, the County paid $638,785 in benefits.

Total OPEB Liability of the County

The County's total OPEB liability of $8,849,806 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50	percent
Salary increases	3.00	percent, average, including inflation
Discount rate	2.66	percent
Healthcare cost trend rates	6.50	percent for 2020

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

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 actual assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 8,828,026
Interest	268,022
Changes of assumptions	392,543
Benefit payments	(638,785)
Net change in total OPEB liability	21,780
Balance, June 30, 2020	$ 8,849,806

Changes of assumptions reflect a change in the discount rate from 3.15 percent in 2019 to 2.66 percent in 2020

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

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

Discount Rate	Total OPEB Liability
1% decrease (1.66%)	$ 9,752,061
Current discount rate (2.66%)	8,849,806
1% increase (3.66%)	8,078,937

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.50%)	$ 8,087,564
Current healthcare cost trend rate (6.50%)	8,849,806
1% increase (7.50%)	9,721,055

OPEB Expense

For the year ended June 30, 2020, the County recognized OPEB expense of $21,780.

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

Contributions

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

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

At June 30, 2020, the County reported a liability of $63,396 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The County's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0170 percent, and 0.0189 percent, resulting in a decrease in the proportionate share of 0.0019 percent.

For the year ended June 30, 2020, the County recognized OPEB expense of $(9,027).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 69,180
Current discount rate (3.50%)	63,396
1% increase (4.50%)	58,078

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 59,421
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	63,396
1% increase (4.7% Part A and 5.1% Part B)	71,336

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 25,475	$ -	$ -	$ 25,475
Prepaid expenditures	224,448	-	-	224,448
Total nonspendable	249,923	-	-	249,923
Restricted				
Legally restricted programs	2,079,250	219,125	51,669	2,350,044
Assigned				
Communications	50,016	-	-	50,016
Local solutions mini grants	78,689	-	-	78,689
Data processing epayable	98,431	-	-	98,431
Portal	3,431	-	-	3,431
TIP/CASC	56,965	-	-	56,965
COE LCAP oversight	99,454	-	-	99,454
Differentiated assistance	1,128,878	-	-	1,128,878
CSI support	118,134	-	-	118,134
Teacher credentialing program	84,328	-	-	84,328
Other grants	29,148	-	-	29,148
Unrestricted lottery	15,415	-	-	15,415
DP Upgrades	44,611	-	-	44,611
Other postemployment benefits	1,183,489	-	-	1,183,489
Capital outlay projects	-	-	104,517	104,517
Total assigned	2,990,989	-	104,517	3,095,506
Unassigned				
Reserve for economic uncertainties	1,208,887	-	-	1,208,887
Total	$ 6,529,049	$ 219,125	$ 156,186	$ 6,904,360

Note 12 - Risk Management

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

Property and Liability

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

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

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

Workers' Compensation

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

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

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the County reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 8,691,399	$ 2,176,666	$ 2,291,876	$ 530,739
CalPERS	13,306,132	2,894,309	679,540	1,627,205
Total	$ 21,997,531	$ 5,070,975	$ 2,971,416	$ 2,157,944

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, 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 nonemployer contributing entity to the STRP.

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required County and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the County's total contributions were $934,226.

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

At June 30, 2020, the County reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the County were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 8,691,399
State’s proportionate share of the net pension liability	4,741,739
Total	$ 13,433,138

The net pension liability was measured as of June 30, 2019. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The County's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0096 percent and 0.0105 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

For the year ended June 30, 2020, the County recognized pension expense of $530,739. In addition, the County recognized pension expense and revenue of $706,147 for support provided by the State. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 934,226	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	121,227	1,712,166
Differences between projected and actual earnings on pension plan investments	-	334,796
Differences between expected and actual experience in the measurement of the total pension liability	21,941	244,914
Changes of assumptions	1,099,272	-
Total	$ 2,176,666	$ 2,291,876

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (33,771)
2022	(265,788)
2023	(55,182)
2024	19,945
Total	$ (334,796)

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

Year Ended June 30,		Deferred Outflows of Resources
2021	$	(198,757)
2022		(198,758)
2023		8,400
2024		64,784
2025		(245,822)
Thereafter		(144,487)
Total	$	(714,640)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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 market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 12,942,213
Current discount rate (7.10%)	8,691,399
1% increase (8.10%)	5,166,665

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total County contributions were $1,294,337.

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

As of June 30, 2020, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $13,306,132. The net pension liability was measured as of June 30, 2019. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The County's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0457 percent and 0.0459 percent, resulting in a net decrease in the proportionate share of 0.0002 percent.

For the year ended June 30, 2020, the County recognized pension expense of $1,627,205. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,294,337	$ -
Change in proportion and differences between contributions made and District’s proportionate share of contributions	-	556,123
Differences between projected and actual earnings on pension plan investments	-	123,417
Differences between expected and actual experience in the measurement of the total pension liability	966,559	-
Changes of assumptions	633,413	-
Total	$ 2,894,309	$ 679,540

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 121,827
2022	(243,343)
2023	(36,876)
2024	34,975
Total	$ (123,417)

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

Year Ended June 30,	Deferred Outflows of Resources
2021	$ 738,827
2022	252,781
2023	47,494
2024	4,747
Total	$ 1,043,849

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 19,179,915
Current discount rate (7.15%)	13,306,132
1% increase (8.15%)	8,433,424

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the County. These payments consist of State County School Service Fund contributions to CalSTRS in the amount of $495,393 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions in the amount of $166,034 has been recorded in these financial statements.

Alternative Pension Plan

The County is a member of the Self-Insured Schools of California Defined Benefit Plan (SISC), which provides an alternative pension to County employees who do not meet the qualifications of the California Public Employees Retirement System (Government Code Section 20000 and following) or the California State Teachers' Retirement System (Education Code Section 22000 and following). This program is not administered by the California Public Employees Retirement System or the California State Teachers' Retirement System. The SISC Defined Benefit Plan contribution rate for the calendar year 2019 is 4.44 percent. The rate is applied to all wages paid between January 1 and December 31, 2019. The rate is significantly lower than the 6.2 percent Social Security rate.

Note 14 - Commitments and Contingencies

Grants

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at June 30, 2020.

Litigation

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

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

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

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

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

During the year ended June 30, 2020, the County made payments of $3,071,356, $82,394, and $586,066, to SISC, SISC II, and SIPE, respectively.

Note 16 - Subsequent Events

Subsequent to year-end, the County has been negatively impacted by the effects of the world-wide coronavirus pandemic. The County is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the County's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 13,090,316	$ 13,605,616	$ 13,266,521	$ (339,095)
Federal sources	3,706,302	4,312,547	3,037,914	(1,274,633)
Other State sources	4,232,202	4,192,368	4,526,547	334,179
Other local sources	9,202,215	11,328,578	10,813,167	(515,411)
Total revenues [1]	30,231,035	33,439,109	31,644,149	(1,794,960)
Expenditures				
Current				
Certificated salaries	5,157,837	5,458,702	5,230,820	227,882
Classified salaries	7,091,656	6,705,501	6,685,685	19,816
Employee benefits	5,515,979	5,236,240	5,544,662	(308,422)
Books and supplies	1,037,198	1,129,957	806,129	323,828
Services and operating expenditures	8,381,288	10,874,972	8,327,260	2,547,712
Other outgo	5,745,795	5,925,549	6,615,101	(689,552)
Capital outlay	126,500	864,442	875,069	(10,627)
Debt service				
Debt service - principal	21,000	21,000	21,000	-
Total expenditures [1]	33,077,253	36,216,363	34,105,726	2,110,637
Excess (Deficiency) of Revenues Over Expenditures	(2,846,218)	(2,777,254)	(2,461,577)	315,677
Other Financing Uses				
Transfers in	372,602	440,938	2,174	(438,764)
Transfers out	(318,092)	(411,763)	(418,574)	(6,811)
Net financing uses	54,510	29,175	(416,400)	(445,575)
Net Change in Fund Balances	(2,791,708)	(2,748,079)	(2,877,977)	(129,898)
Fund Balance - Beginning	9,407,026	9,407,026	9,407,026	-
Fund Balance - Ending	$ 6,615,318	$ 6,658,947	$ 6,529,049	$ (129,898)

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

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Federal sources	$ 7,048,528	$ 7,144,712	$ 7,143,838	$ (874)
Other State sources	6,822,984	6,496,189	6,749,489	253,300
Total revenues	13,871,512	13,640,901	13,893,327	252,426
Expenditures				
Current				
Other outgo	13,913,236	13,733,037	13,766,338	(33,301)
Total expenditures	13,913,236	13,733,037	13,766,338	(33,301)
Net Change in Fund Balances	(41,724)	(92,136)	126,989	(219,125)
Fund Balance - Beginning	92,136	92,136	92,136	-
Fund Balance - Ending	$ 50,412	$ -	$ 219,125	$ 219,125

	2020	2019	2018
Total OPEB Liability			
Interest	$ 268,022	$ 314,991	$ 320,457
Difference between expected and actual experience	-	(516,662)	-
Changes of assumptions	392,543	358,932	(89,794)
Benefit payments	(638,785)	(657,950)	(654,317)
Net change in total OPEB liability	21,780	(500,689)	(423,654)
Total OPEB Liability - Beginning	8,828,026	9,328,715	9,752,369
Total OPEB Liability - Ending	$ 8,849,806	$ 8,828,026	$ 9,328,715
Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Total OPEB Liability as a Percentage of Covered Payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

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

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

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

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

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

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

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

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

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The County employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United 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 presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

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

- *Change in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – Liability changes resulting from changes in assumptions in the discount rate from 3.15 percent to 2.66 percent.

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

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

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

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

Schedule of County Contributions

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through California Department of Education (CDE)				
Child Nutrition Cluster				
National School Lunch	10.555	13523	$ 18,170	$ -
Child and Adult Care Food Program	10.558	13393	15,663	-
NSLP Equipment Assistance Grant	10.579	14906	12,268	-
Forest Service Schools and Roads Cluster				
Forest Reserve Funds	10.665	10044	14,363	-
Total U.S. Department of Agriculture			60,464	-
U.S. Department of Justice				
Passed Through CDE				
STOP School Violence	16.607	[1]	137,722	-
U.S. Department of Education				
Passed Through CDE				
Special Education Cluster				
Basic Local Assistance	84.027	13379	6,604,780	6,548,321
Mental Health	84.027A	15197	382,572	335,311
Preschool Grants	84.173	13430	299,056	260,206
Preschool Staff Development	84.173A	13431	5,108	-
Preschool Grants - Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	29,601	-
Total Special Education Cluster			7,321,117	7,143,838
Title I, Part A	84.010	14329	686,853	-
Title I, Part D	84.010	14357	189,189	-
School Improvement - Local Education Agency	84.010	15438	71,912	-
School Improvement - County Office of Education	84.010	15439	5,624	-
Subtotal			953,578	-
Migrant Education State Grant Program	84.011	14838	1,361,460	-
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	15,888	-
Title III, English Learner Student Program	84.365	14346	886	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	119,616	-
Education for Homeless Children and Youth	84.196	14332	161,440	-
Special Education-Grants for Infants and Families	84.181	23761	62,152	-
Total U.S. Department of Education			9,996,137	7,143,838
U.S. Department of Health and Human Services				
Passed Through CDE				
Foster Care	93.658	[1]	47,894	-
Total Expenditures of Federal Awards			$10,242,217	$ 7,143,838

[1] Pass-through entity identifying number not available

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Joel Peterson	President	2020
Diane A. Jones	Vice President	2020
George Galvan	Member	2022
Juan Olivarria	Member	2022
Paul Madonna	Member	2022

ADMINISTRATION

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

	Second Period Report DADACB09	Annual Report 4EE79CC9
Elementary ADA		
Juvenile halls, homes, and camps	0.34	0.40
Community schools pupils - Probation referred, Expelled	3.88	3.88
Total Regular ADA	4.22	4.28
Secondary ADA		
Juvenile halls, homes, and camps	28.14	32.89
Community schools pupils - Probation referred, Expelled	60.63	60.63
Total Regular ADA	88.77	93.52
Total ADA	92.99	97.80

Summarized below is the Average Daily Attendance (ADA) for County operated programs generated for school districts at the second and annual period of the current fiscal year:

	Second Period Report 2F8D3F56	Annual Report 32DE4903
Extended Year Special Education		
Transitional kindergarten through third	6.69	6.69
Fifth through sixth	7.84	7.84
Seventh and eighth	7.39	7.39
Ninth through twelfth	8.37	8.37
Total Extended Year Special Education	30.29	30.29
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.91	0.91
Fourth through sixth	0.71	0.71
Seventh and eighth	0.43	0.43
Ninth through twelfth	0.61	0.61
Total Extended Year Special Education, Nonpublic, Nonsectarian Sch	2.66	2.66
Total Charter School ADA	32.95	32.95

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

	(Budget) 2021 [1]	2020	2019	2018
County School Service Fund				
Revenues	$ 29,393,124	$ 31,644,149	$ 35,348,280	$ 30,823,281
Other sources	367,742	2,174	12,880	13,722
Total revenues and other sources	29,760,866	31,646,323	35,361,160	30,837,003
Expenditures	29,656,852	34,105,726	31,262,913	31,194,728
Other uses and transfers out	363,421	418,574	423,356	278,225
Total expenditures and other uses	30,020,273	34,524,300	31,686,269	31,472,953
Increase/(Decrease) in Fund Balance	(259,407)	(2,877,977)	3,674,891	(635,950)
Ending Fund Balance	$ 6,269,642	$ 6,529,049	$ 9,407,026	$ 5,732,135
Available Reserves [2]	$ 1,421,950	$ 1,208,887	$ 1,255,778	$ 1,406,083
Available Reserves as a Percentage of Total Outgo	4.74%	3.50%	3.96%	4.47%
Long-Term Liabilities	N/A	$ 31,362,886	$ 31,547,747	$ 31,913,177
K-12 Average Daily Attendance at P-2	121	93	90	112

The County School Service Fund balance has increased by $796,914 over the past two years. The fiscal year 2020-2021 budget projects a further decrease of $259,407 (3.97 percent). For a district this size, the State recommends available reserves of at least three percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have decreased by $550,291 over the past two years.

Average daily attendance has increased by three over the past two years. Additional growth of 28 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund, the Special Reserve Fund for Other Than Capital Outlay Projects, and the Special Reserve Fund for Other Postemployment Benefits.

Name of Charter School and Charter Number	Included in Audit Report
Grizzly Challenge Charter School (Charter No. 0566)	No

	Child Development Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets				
Deposits and investments	$ -	$ 9,120	$ 104,517	$ 113,637
Receivables	77,056	1,100	-	78,156
Total assets	$ 77,056	$ 10,220	$ 104,517	$ 191,793
Liabilities and Fund Balances				
Liabilities				
Overdrafts	$ 1,559	$ -	$ -	$ 1,559
Accounts payable	23,828	10,220	-	34,048
Total liabilities	25,387	10,220	-	35,607
Fund Balances				
Restricted	51,669	-	-	51,669
Assigned	-	-	104,517	104,517
Total fund balances	51,669	-	104,517	156,186
Total liabilities and fund balances	$ 77,056	$ 10,220	$ 104,517	$ 191,793

	Child Development Fund	Cafeteria Fund	Forest Reserve Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues					
Federal sources	$ 15,663	$ 30,438	$ 14,364	$ -	$ 60,465
Other State sources	808,383	1,627	-	-	810,010
Other local sources	215,194	808	19	2,795	218,816
Total revenues	1,039,240	32,873	14,383	2,795	1,089,291
Expenditures					
Current					
Pupil services					
Food services	8,709	124,218	-	-	132,927
Administration					
All other administration	99,519	5,728	-	-	105,247
Plant services	174,912	768	-	-	175,680
Community services	981,156	-	-	-	981,156
Other outgo	-	-	12,209	-	12,209
Facility acquisition and construction	-	-	-	169,429	169,429
Total expenditures	1,264,296	130,714	12,209	169,429	1,576,648
Excess (Deficiency) of Revenues Over Expenditures	(225,056)	(97,841)	2,174	(166,634)	(487,357)
Other Financing Sources (Uses)					
Transfers in	260,733	97,841	-	60,000	418,574
Transfers out	-	-	(2,174)	-	(2,174)
Net Financing Sources (Uses)	260,733	97,841	(2,174)	60,000	416,400
Net Change in Fund Balances	35,677	-	-	(106,634)	(70,957)
Fund Balance - Beginning	15,992	-	-	211,151	227,143
Fund Balance - Ending	$ 51,669	$ -	$ -	$ 104,517	$ 156,186

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the County under programs of the federal government for the year ended June 30, 2020 The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, net position or fund balance, or cash flows of the County.

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

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

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the County had no food commodities in inventory.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Luis Obispo County Office of Education, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise San Luis Obispo County Office of Education's basic financial statements and have issued our report thereon dated March 22, 2021.

Internal Control over Financial Reporting

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

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
March 22, 2021

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

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

Report on Compliance for the Major Federal Program

We have audited San Luis Obispo County Office of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on San Luis Obispo County Office of Education's major federal program for the year ended June 30, 2020. San Luis Obispo County Office of Education's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on the Major Federal Program
In our opinion, San Luis Obispo County Office of Education's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the of its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
March 22, 2021

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited San Luis Obispo County Office of Education's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for' the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance 'with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's 'compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with 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	Yes
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	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	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

We did not perform Continuation Education procedures because the program is not offered by the County.

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

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

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

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

The County does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

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

Transportation Maintenance of Effort does not apply to the County; therefore, we did not perform procedures related to Transportation Maintenance of Effort.

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

We did not perform procedures for the After/Before School Education and Safety Program because the County does not offer the program.

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

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

Unmodified Opinion

In our opinion, San Luis Obispo County Office of Education complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
March 22, 2021

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Special Education Cluster	84.027, 84.027A, 84.173, 84.173A

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified

None reported.

None reported.

None reported.

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