VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

December 14, 2018

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

To Whom It May Concern:

The following is the electronic version (pdf) of the annual financial report for the Alameda Coumty Office of Education for the year ended June 30, 2018.

Very truly yours,

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

XG/cp
Enclosures

ALAMEDA COUNTY OFFICE OF EDUCATION

FOR THE YEAR ENDED
JUNE 30, 2018

ANNUAL FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

ALAMEDA COUNTY OFFICE OF EDUCATION

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Alameda County Office of Education
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alameda County Office of Education (the COE) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the COE's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Alameda County Office of Education, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the COE adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

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 5 through 12, budgetary comparison schedule on page 61, schedule of changes in the COE's total OPEB liability and related ratios on page 62, schedule of the COE's proportionate share of the net pension liability on page 63, and the schedule of COE pension contributions on page 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the Alameda County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Alameda 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 Alameda County Office of Education's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 7, 2018

ALAMEDA COUNTY OFFICE OF EDUCATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

This section of Alameda County Office of Education's (the COE) annual financial report presents our discussion and analysis of the COE's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District'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 COE and its component units 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 COE from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the COE (including capital assets), as well as all liabilities (including long-term obligations). 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 governmental and proprietary.

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

The *Proprietary Funds* 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 Alameda County Office of Education.

REPORTING THE COE 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 COE as a whole and about its activities. These statements include all assets and liabilities of the COE 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 COE'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 COE's financial health, or financial position. Over time, increases or decreases in the COE's net position will serve as a useful indicator of whether the financial position of the COE is improving or deteriorating. Other factors to consider are changes in the COE's property tax base and the condition of the COE's facilities.

The relationship between revenues and expenses is the COE'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 COE. 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 COE activities as follows:

Governmental Activities - All of the COE's services are reported in this category. This includes the implementation of fiscal oversight of school districts and operation of the Juvenile Court Schools, Community Schools, Special Education, Cal-SAFE, as well as supervision of instruction, pupil and community services to provide instructional support to school districts and the ongoing effort to improve and maintain buildings, technology services, and other general administration activities. These activities are financed by the state apportionment, property taxes, federal and state grants and local contracts.

REPORTING THE COE'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the COE 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 - All of the COE'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 COE'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 COE'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.

Proprietary Funds - When the COE charges users for the services it provides, whether to outside customers or to other departments within the COE, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the COE's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide post-employment health care benefits to retired employees to age 65 (or for life for certain eligible employees, such as the COE's Self-Insurance Fund. This fund was created in fiscal year 2008/09 to record payments of such benefits and to account for funds to cover present and future costs established by actuarial studies. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE COE AS A TRUSTEE

Reporting the COE's Fiduciary Responsibilities

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

THE COE AS A WHOLE

Net Position

The COE's net position was $8.2 million for the fiscal year ended June 30, 2018. Of this amount, $4.2 million was restricted. Restricted net position is reported separately to shows legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the COE's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2018	2017 as restated
Assets		
Current and other assets	$ 54.0	$ 53.1
Capital assets	7.7	8.0
Total Assets	**61.7**	**61.1**
Deferred Outflows of Resources	**12.1**	**8.6**
Liabilities		
Current liabilities	10.6	18.6
Long-term obligations	49.8	41.7
Total Liabilities	**60.4**	**60.3**
Deferred Inflows of Resources	**5.2**	**4.1**
Net Position		
Net investment in capital assets	9.3	9.4
Restricted	4.2	3.9
Unrestricted	(5.3)	(8.0)
Total Net Position	**$ 8.2**	**$ 5.3**

The $5.3 million deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by 34 percent ($5.3 million deficit compared to $8 million deficit) in prior year.

Changes in Net Position

The results of this year's operations for the COE as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 1.0	$ 1.5
Operating grants and contributions	16.5	17.4
General revenues:		
Federal and State aid not restricted	7.4	4.5
Property taxes	16.8	15.4
Other general revenues	9.0	5.1
Total Revenues	**50.7**	**43.9**
Expenses		
Instruction-related	23.0	23.9
Pupil services	1.7	1.5
Administration	15.9	14.8
Plant services	1.8	1.9
Other	3.3	3.6
Total Expenses	**45.7**	**45.7**
Change in Net Position	**$ 5.0**	**$ (1.8)**

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was $45.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $16.8 million because the cost was paid by those who benefited from the programs ($1.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($16.5 million). We paid for the remaining "public benefit" portion of our governmental activities with $7.4 million in federal and State funds, and with other revenues, like interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction-related	$ 23.0	$ 23.9	$ 11.7	$ 11.6
Student support services	1.7	1.5	0.2	0.3
Administration	15.9	14.8	14.2	12.7
Maintenance and operations	1.8	1.9	1.7	1.9
Other	3.3	3.6	0.4	0.3
Total	**$ 45.7**	**$ 45.7**	**$ 28.2**	**$ 26.8**

THE COE'S FUNDS

As the COE completed this year, our governmental funds reported a combined fund balance of $37.8 million, which is an increase of $3 million from last year (Table 4).

Table 4

(Amounts in millions)	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General (County School Service)	$ 29.1	$ 45.9	$ 45.1	$ 29.9
Charter School	-	0.4	0.4	-
Child Development	-	2.0	2.0	-
Deferred Maintenance	2.5	2.3	0.1	4.7
Building	2.4	-	-	2.4
Special Reserve for Capital	0.8	-	-	0.8
Total	**$ 34.8**	**$ 50.6**	**$ 47.6**	**$ 37.8**

The primary reasons for these increase/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $29.1 million to $29.9 million. This increase is due to:
   1. Increased State revenue
   2. Minimum State Aide Guarantee
b. Deferred Maintenance Fund increased by $2.2 million due to general fund contributions for routine maintenance projects.
c. Other funds remained unchanged.

General Fund Budgetary Highlights

Over the course of the year, the COE revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 13, 2018. (A schedule showing the COE's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 61).

The COE originally projected a decrease in net position of approximately $2.7 million. Revenues were $5.5 million more than originally expected due to the Minimum State Aide guarantee. Expenditures were $0.8 million less than originally projected. While LCFF funding was approximately $4.4 million more than projected due to Minimum State Aide, other state sources were $0.7 million less than projected due to State Revenue Deferrals for our CTE programs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the COE had $7.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of .2 million, or 2.5 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2018	2017
Land and construction in progress	$ 1.0	$ 1.0
Buildings and improvements	12.2	12.2
Equipment	3.4	3.1
Depreciation	(8.9)	(8.4)
Total	**$ 7.7**	**$ 7.9**

This year's additions included approximately $.3 million for upgrading the firewall. No new debt was issued for these additions.

No significant capital projects are planned for the 2018-2019 year. We present more detailed information about our capital assets in the Notes to the financial statements.

Long-Term Obligations

At the end of this year, the COE had $8.6 million in total long-term obligations which are listed below:

Table 6

(Amounts in millions)	Governmental Activities	
	2018	2017 as restated
Accumulated vacation	$ 0.9	$ 0.9
Capital leases	0.7	0.9
Other postemployment benefits (OPEB) liability	7.0	6.7
Total	**$ 8.6**	**$ 8.5**

We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

As of June 30, 2018, the COE reported $11.4 million in deferred outflows of resources related to pension, $41.1 million in net pension liability, and $5.2 million in deferred inflows of resources related to pension.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the COE Budget for the 2018-2019 year, the governing board and management used the following criteria:

As a result of the Minimum State Aide Guarantee the COE realized more LCFF revenue than projected at Budget Adoption. Because of this new ongoing revenue the COE will be revising its FY 18/19 budget to include these new LCFF funds that were not in the original forecast. The COE will in fact not operate with a budget deficit as originally projected.

Expenditures are based on the following forecasts:

	Staffing Ratio	Enrollment
Grades kindergarten through third	00:1	0000
Grades four through eight	00:1	0000
Grades nine through twelve	12:1	273.9

The new items specifically addressed in the budget are:

The COE realized Minimum State aide funding of 4.2 million dollars above our adopted budget projection. These new funds are ongoing and contingent on local property taxes as well as our county operations ADA. As a result of declining enrollment over the past several fiscal years the COE has been operating with a deficit. These state aides guarantee acts as a hold harmless for County Offices of Education.

CONTACTING THE COE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the COE's finances and to show the COE's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Leigh Ann Blessing, Interim Chief Of Finance & Operations, or DeCarlos Kaigler, Director III, Fiscal Services, at Alameda County Office of Education, 313 West Winton Avenue, Hayward, California, 94544.

ALAMEDA COUNTY OFFICE OF EDUCATION

STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
ASSETS		
Deposits and investments	$	50,981,133
Receivables		2,945,624
Prepaid expenses		21,988
Capital assets not depreciated		992,472
Capital assets, net of accumulated depreciation		6,703,903
Total Assets		61,645,120
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to other postemployment benefits (OPEB) liability		703,017
Deferred outflows of resources related to pensions		11,431,755
Total Deferred Outflows of Resources		12,134,772
LIABILITIES		
Accounts payable		5,419,660
Unearned revenue		5,221,576
Long-term obligations:		
Current portion of long-term obligations other pensions		180,412
Noncurrent portion of long-term obligations other than pensions		1,456,412
Total Long-Term Obligations		1,636,824
Other postemployment benefits (OPEB) liability		6,966,847
Aggregate net pension liability		41,147,601
Total Liabilities		60,392,508
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions		5,203,222
NET POSITION		
Net investment in capital assets		9,324,932
Restricted for:		
Educational programs		4,128,560
Other restrictions		56,988
Unrestricted		(5,326,318)
Total Net Position	$	8,184,162

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

ALAMEDA COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction	$ 6,979,408	$ 240,259	$ 1,362,121	$ (5,377,028)
Instruction-related activities:				
Supervision of instruction	14,400,487	400,195	8,998,176	(5,002,116)
Instructional library, media, and technology	113,805	22,431	77,185	(14,189)
School site administration	1,469,377	-	172,919	(1,296,458)
Pupil services:				
Food services	31,515	-	-	(31,515)
All other pupil services	1,671,834	157,258	1,325,682	(188,894)
Administration:				
Data processing	5,336,728	20,365	57,952	(5,258,411)
All other administration	10,516,459	86,535	1,512,006	(8,917,918)
Plant services	1,756,588	-	11,197	(1,745,391)
Ancillary services	213,809	49,544	140,983	(23,282)
Community services	835,518	9,739	802,275	(23,504)
Enterprise services	318,756	-	-	(318,756)
Other outgo	2,061,664	-	2,044,664	(17,000)
Total Governmental Activities	$ 45,705,948	$ 986,326	$ 16,505,160	(28,214,462)

General revenues and subventions:	
Property taxes, levied for general purposes	16,128,144
Taxes levied for other specific purposes	633,923
Federal and State aid not restricted to specific purposes	7,410,340
Interest and investment earnings	908,008
Interagency revenues	3,973,209
Miscellaneous	4,166,408
Subtotal, General Revenues	33,220,032
Change in Net Position	5,005,570
Net Position - Beginning, as restated	3,178,592
Net Position - Ending	$ 8,184,162

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

ALAMEDA COUNTY OFFICE OF EDUCATION

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	County School Service Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS			
Deposits and investments	$ 43,292,217	$ 5,543,587	$ 48,835,804
Receivables	2,910,871	27,360	2,938,231
Due from other funds	-	2,445,680	2,445,680
Prepaid expenditures	21,988	-	21,988
Total Assets	$ 46,225,076	$ 8,016,627	$ 54,241,703
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 5,399,716	$ 19,944	$ 5,419,660
Due to other funds	5,715,387	63,065	5,778,452
Unearned revenue	5,201,522	20,054	5,221,576
Total Liabilities	16,316,625	103,063	16,419,688
Fund Balances:			
Nonspendable	56,988	-	56,988
Restricted	4,128,560	-	4,128,560
Assigned	24,370,646	7,913,564	32,284,210
Unassigned	1,352,257	-	1,352,257
Total Fund Balances	29,908,451	7,913,564	37,822,015
Total Liabilities and Fund Balances	$ 46,225,076	$ 8,016,627	$ 54,241,703

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

ALAMEDA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$37,822,015**
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	$ 16,588,152	
Accumulated depreciation is	(8,891,777)	
Net Capital Assets		7,696,375
An internal service fund is used by the COE's management to set aside OPEB cost. The assets and liabilities of the internal service fund are included with governmental activities.		4,858,802
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the COE's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the COE for OPEB as the benefits comes due subsequent to the measurement date.		703,017
Deferred inflows and outflows of resources related to pension liablility are not recognized on the modified accrual basis, but are amortized over the remaining service life of the members receiving pension benefits.		6,228,533
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(41,147,601)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Capital leases payable	752,162	
Compensated absences (vacations)	884,662	
OPEB obligation (less amount in Internal Service Fund)	6,340,155	
Total Long-Term Obligations		(7,976,979)
Total Net Position - Governmental Activities		**$ 8,184,162**

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

ALAMEDA COUNTY OFFICE OF EDUCATION

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	County School Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local control funding formula	$ 22,850,445	$ 224,834	$ 23,075,279
Federal sources	4,650,988	-	4,650,988
Other State sources	8,611,889	179,733	8,791,622
Other local sources	9,767,885	1,903,878	11,671,763
Total Revenues	45,881,207	2,308,445	48,189,652
EXPENDITURES			
Current			
Instruction	6,323,602	347,064	6,670,666
Instruction-related activities:			
Supervision of instruction	13,763,465	-	13,763,465
Instructional library, media and technology	108,772	-	108,772
School site administration	1,237,064	167,315	1,404,379
Pupil services:			
Food services	30,121	-	30,121
All other pupil services	1,597,878	-	1,597,878
Administration:			
Data processing	5,440,349	-	5,440,349
All other administration	10,002,713	48,538	10,051,251
Plant services	1,623,722	54,595	1,678,317
Ancillary services	204,351	-	204,351
Community services	798,558	-	798,558
Other outgo	241,153	-	241,153
Facility acquisition and construction	-	99,626	99,626
Total Expenditures	41,371,748	717,138	42,088,886
Excess (Deficiency) of Revenues Over Expenditures	4,509,459	1,591,307	6,100,766
Other Financing Sources (Uses)			
Transfers in	-	2,446,018	2,446,018
Transfers out	(3,694,540)	-	(3,694,540)
Other uses	-	(1,820,511)	(1,820,511)
Net Financing Sources (Uses)	(3,694,540)	625,507	(3,069,033)
NET CHANGE IN FUND BALANCES	814,919	2,216,814	3,031,733
Fund Balance - Beginning, as restated	29,093,532	5,696,750	34,790,282
Fund Balance - Ending	$ 29,908,451	$ 7,913,564	$ 37,822,015

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

ALAMEDA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds		**$ 3,031,733**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ 521,234	
Capital outlays	(262,455)	
Net Expense Adjustment		258,779
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned.		(24,923)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(1,951,745)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		474,486
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		$ 192,591
An internal service fund is used by the COE's management to charge the costs		3,024,649
Change in Net Position of Governmental Activities		**$ 5,005,570**

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

ALAMEDA COUNTY OFFICE OF EDUCATION

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 2,145,329
Receivables	7,393
Due from other funds	3,332,772
Total Current Assets	5,485,494
LIABILITIES	
Noncurrent Liabilities	
OPEB obligation	626,692
NET POSITION	
Unrestricted	4,858,802
Total Net Position	$ 4,858,802

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

ALAMEDA COUNTY OFFICE OF EDUCATION

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 2,045,064
Total Operating Revenues	2,045,064
OPERATING EXPENSES	
Other operating cost	301,377
Total Operating Expenses	301,377
Operating Income	1,743,687
NONOPERATING REVENUES (EXPENSES)	
Interest income	32,440
Total Nonoperating Revenues	32,440
Income Before Other Sources (Uses)	1,776,127
Other Sources	
Transfers in	1,248,522
Change in Net Position	3,024,649
Total Net Position - Beginning	1,834,153
Total Net Position - Ending	$ 4,858,802

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

ALAMEDA COUNTY OFFICE OF EDUCATION

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
County School Service Fund transfer for OPEB	$ (39,186)
OPEB benefit payments	(301,857)
Net Cash Used for Operating Activities	(341,043)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	27,870
Net Cash Provided by Investing Activities	27,870
Net change in cash and cash equivalents	(313,173)
Cash and Cash Equivalents - Beginning	2,458,502
Cash and Cash Equivalents - Ending	$ 2,145,329
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating income	$ 1,743,687
Changes in assets and liabilities:	
Due from other fund	(2,084,250)
Accrued liabilities	(480)
NET CASH USED FOR OPERATING ACTIVITIES	$ (341,043)

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

ALAMEDA COUNTY OFFICE OF EDUCATION

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Deposits and investments	$ 8,172,452
Total Assets	$ 8,172,452
LIABILITIES	
Due to other governments	$ 8,172,452
Total Liabilities	$ 8,172,452

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

Other Related Entities

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

- Community School for Creative Education
- Yu Ming Charter School
- Unity Middle School
- Cox Academy
- Envisions Academy for Arts & Technology
- Lazear Charter Academy
- Urban Montessori Charter
- ACOE Opportunity Charter

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 COE's funds are grouped into two fund categories: governmental and proprietary.

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 COE's major and non-major governmental funds:

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase in assets, fund balance, and revenues of $4,088,169, $4,088,169, and $43,811, respectively.

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 the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes. (*Education Code* Section 17582).

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

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

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

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

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

Fiduciary Funds Fiduciary funds are used to account for asserts held in trustee or agency capacity for others that cannot be used to support the ACOE's own programs. The COE's fiduciary fund is the agency fund. The COE's agency fund accounts for District passed-through funds.

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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 COE.

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2018, 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)

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

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

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 COE Plan and additions to/deductions from the COE Plan. For this purpose, the COE Plan 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.

Fund Balances - Governmental Funds

As of June 30, 2018, 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 COE. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The COE currently does not have 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 COE's adopted policy, only the assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts. .

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the COE considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the COE 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 General Fund in order to protect the COE against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the COE or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The COE first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $4,185,548 of restricted net position.

Operating Revenues and Expenses

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

Interfund Activity

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

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

Estimates

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

Property Tax

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

Change in Accounting Principles

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

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

The COE has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The COE has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The COE has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

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

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

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

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

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

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

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

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

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

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

The COE has not determined the effect of these pronouncements on its financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental funds	$ 48,835,804
Internal service fund	2,145,329
Fiduciary funds	8,172,452
Total Deposits and Investments	$ 59,153,585

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$	8,426,196
Cash in revolving		35,000
Investments		50,692,389
Total Deposits and Investments	$	59,153,585

Policies and Practices

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

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

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 COE manages its exposure to interest rate risk by investing in the county pool and LAIF.

Weighted Average Maturity

The COE 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 COE's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity (days)
County Pool	$ 49,956,584	357
Local Agency Investment Fund	735,805	193
Total	50,692,389	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The COE's investment in the county pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the COE's deposits may not be returned to it. The COE 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. As of June 30, 2018, all of the COE's bank balances were insured by FDIC.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the Alameda County Treasury Investment Pool and/or Local Agency Investment Funds are not measured using the input levels above because the COE's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The COE's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
County Pool	$ 49,956,584	$ -	$ -	$ -	$ 49,956,584
State Investment Pool	735,805	-	-	-	735,805
Total	$ 50,692,389	$ -	$ -	$ -	$ 50,692,389

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	County School Services Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government				
Categorical aid	$ 1,000,399	$ -	$ 1,000,399	$ -
State Government				
Categorical aid	493,514	-	493,514	-
Lottery	13,498	-	13,498	-
Local Government				
Interest	172,845	20,482	193,327	7,393
Other Local Sources	1,230,615	6,878	1,237,493	-
Total	$ 2,910,871	$ 27,360	$ 2,938,231	$ 7,393

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance 7/1/2017	Additions	Deductions	Balance 6/30/2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 992,472	$ -	$ -	$ 992,472
Total Capital Assets Not Being Depreciated	992,472	-	-	992,472
Capital Assets Being Depreciated:				
Land Improvements	717,578	-	-	717,578
Buildings and Improvements	11,474,351	-	-	11,474,351
Furniture and Equipment	3,141,296	262,455	-	3,403,751
Total Capital Assets Being Depreciated	15,333,225	262,455	-	15,595,680
Total Capital Assets	16,325,697	262,455	-	16,588,152
Less Accumulated Depreciation:				
Land Improvements	550,276	37,724	-	588,000
Buildings and Improvements	6,809,979	231,062	-	7,041,041
Furniture and Equipment	1,010,288	252,448	-	1,262,736
Total Accumulated Depreciation	8,370,543	521,234	-	8,891,777
Governmental Activities Capital Assets, Net	$ 7,955,154	$ (258,779)	$ -	$ 7,696,375

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

Governmental Activities		
Instruction	$	82,688
Supervision of Instruction		170,608
Instructional Library Media and Technology		1,348
School Administration		17,408
Food Services		373
Other Pupil Services		19,807
Ancillary Services		2,533
Community Services		9,899
Enterprise		3,736
Other General Administration		124,593
Data Processing Services		67,437
Plant Maintenance and Operations		20,804
Total Depreciation Expenses All Activities	$	521,234

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds and non-major internal service funds are as follows:

	Due From		
Due To	Non-Major Funds	Proprietary Fund	Total
County School Service Fund	$ 2,382,615	$ 3,332,772	$ 5,715,387
Non-Major Governmental Funds	63,065	-	63,065
Total	$ 2,445,680	3,332,772	$ 5,778,452

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

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following.

	Transfer From		
Transfer To	Non-Major Funds	Proprietary Fund	Total
County School Service Fund	$ 2,446,018	$ 1,248,522	$3,694,540
Total	$ 2,446,018	$ 1,248,522	$3,694,540

The County School Service Fund transferred to the Charter School Fund for suppoprt.	$ 159,531
The County School Service Fund transferred to the Deferred Maintenance Fund to fund maintenance projects.	2,286,487
The County School Service Fund transferred to the Proprietary Fund to cover OPEB cost.	1,248,522
Total	$3,694,540

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

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	County School Service Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 2,042,637	$ 16,443	$ 2,059,080
State apportionment	3,194,363	3,482	3,197,845
Salaries and benefits	150,725	-	150,725
Other	11,991	19	12,010
Total	$ 5,399,716	$ 19,944	$ 5,419,660

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 44,753	$ -	$ 44,753
State categorical aid	4,892,156	20,054	4,912,210
Other local	264,613	-	264,613
Total	$ 5,201,522	$ 20,054	$ 5,221,576

NOTE 9 - LONG-TERM OBLIGATIONS OTHER THAN PENSION

Summary

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

	Balance July 01, 2017 as restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
Accumulated vacation - net	$ 859,739	$ 24,923	$ -	$ 884,662	$ -
Capital leases	944,753	-	192,591	752,162	180,412
	$ 1,804,492	$ 24,923	$ 192,591	$ 1,636,824	$ 180,412

The accrued vacation will be paid by the fund for which the employees worked. Capital leases will be paid out of General Fund.

Capital Lease

In March, 2017, the COE has entered into agreement to lease purchase certain IT equipment. The COE's liability on lease agreement is summarized below:

	Firewall
Balance, July 1, 2017	$ 944,753
Additions	-
Payments	192,591
Balance, July 1, 2018	$ 752,162

The capital lease have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	$ 201,227
2020	201,227
2021	201,227
2022	201,227
Total	804,908
Less: Amount Representing Interest	52,746
Present Value of Minimum Lease Payments	$ 752,162

Leased equipment under capital leases in capital assets at June 30, 2018, include the following:

Equipment	$ 944,752
Less: Accumulated depreciation	(20,123)
Total	$ 924,629

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATIONS

For the fiscal year ended June 30, 2018, the COE reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
The COE Plan	$ 6,966,847	$ 703,017	$ -	$ 525,466
Total	$ 6,966,847	$ 703,017	$ -	$ 525,466

The COE OPEB PLAN

Plan Administration

The COE'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, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	88
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	153
	241

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 COE's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of the Plan members and the COE are established and may be amended by the COE, the Alameda County Teacher Association (ACTA), 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 COE, ACTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the COE paid $703,017 in benefits.

Total OPEB Liability of the COE

The COE's total OPEB liability of $6,966,847 was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.70	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	3.50	percent
Healthcare cost trend rates	4.00	percent for 2017

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 reduction. 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, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	$ 6,738,316
Service cost	289,888
Interest	235,578
Benefit payments	(296,935)
Net change in total OPEB liability	228,531
Balance at June 30, 2017	$ 6,966,847

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

The following presents the total OPEB liability of the COE, as well as what the COE'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 (2.5%)	$ 7,941,719
Current discount rate (3.5%)	6,966,847
1% increase (4.5%)	6,172,482

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

The following presents the total OPEB liability of the COE, as well as what the COE'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 (3%)	$ 5,726,185
Current healthcare cost trend rate (4%)	6,966,847
1% increase (5%)	8,729,497

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

For the year ended June 30, 2018, the COE recognized OPEB expense of $525,466. At June 30, 2018, the COE reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $703,017.

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 140,603
2020	140,603
2021	140,603
2022	140,603
2022	140,603
	$ 703,015

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	County School Service Fund	Non-Major Governmental Funds	Total
Nonspendable			
Revolving cash	$ 35,000	$ -	$ 35,000
Prepaid expenditures	21,988	-	21,988
Total Nonspendable	56,988	-	56,988
Restricted			
Legally restricted programs	4,128,560	-	4,128,560
Total Restricted	4,128,560	-	4,128,560
Assigned			
Capital projects	-	7,910,711	7,910,711
Other	24,370,646	2,853	24,373,499
Total Assigned	24,370,646	7,913,564	32,284,210
Unassigned			
Remaining unassigned	1,352,257	-	1,352,257
Total Unassigned	1,352,257	-	1,352,257
Total	$ 29,908,451	$ 7,913,564	$ 37,822,015

NOTE 12 - RISK MANAGEMENT

Property and Liability

The COE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, The COE contracted with Alameda County Schools Insurance Group (ASIG) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the COE participated in the Protected Insurance Program for Schools Joint Powers Authority (PIPS), an insurance purchasing pool. The intent of the PEPS is to achieve the benefit of a reduced premium for the COE by virtue of its grouping and representation with other participants in the PIPS. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the PIPS. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the PIPS. Participation in the PIPS is limited to members that can meet the PIPS selection criteria.

Employee Medical Benefits

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

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, 2018, the COE reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 14,238,757	$ 3,715,336	$ 2,466,833	$ 1,086,731
CalPERS	26,908,844	7,716,419	2,736,389	3,263,304
Total	$ 41,147,601	$ 11,431,755	$ 5,203,222	$ 4,350,035

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The COE 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, 2016, 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 COE 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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, the COE 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, 2018, are presented above and the COE's total contributions were $1,024,784.

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

At June 30, 2018, the COE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the COE. The amount recognized by the COE 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 COE were as follows:

The COE's proportionate share of net pension liability	$	14,238,757
State's proportionate share of the net pension liability associated with the COE		8,423,528
Total	$	22,662,285

The net pension liability was measured as of June 30, 2017. The COE's proportion of the net pension liability was based on a projection of the COEs 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 COE's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0002 percent and 0.0172 percent, resulting in a net decrease in the proportionate share of 0.0.017 percent.

For the year ended June 30, 2018, the COE recognized pension expense of $1,086,731. In addition, the COE recognized pension expense and revenue of $403,547 for support provided by the State. At June 30, 2018, the COE 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	$ 1,024,784	$ -
Net change in proportionate share of net pension liability	-	1,839,282
Difference between projected and actual earnings on pension plan investments	-	379,217
Differences between expected and actual experience in the measurement of the total pension liability	52,656	248,334
Changes of assumptions	2,637,896	-
Total	$ 3,715,336	$ 2,466,833

The deferred outflows of resources related to pensions resulting from COE 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
2019	$ (315,306)
2020	238,586
2021	34,408
2022	(336,905)
Total	$ (379,217)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 515,866
2020	515,866
2021	424,905
2022	(393,749)
2023	(274,237)
Thereafter	(185,715)
Total	$ 602,936

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
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, 2017, are summarized in the following table:

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

Discount Rate

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

The following presents the COE'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%)	$ 20,907,016
Current discount rate (7.10%)	$ 14,238,757
1% increase (8.10%)	$ 8,827,013

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensatior	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

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 COE 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, 2018, are presented above and the total COE contributions were $1,891,064.

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

As of June 30, 2018, the COE reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $26,908,844. The net pension liability was measured as of June 30, 2017. The COE's proportion of the net pension liability was based on a projection of the COE's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The COE's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0011 percent and 0.1218 percent, resulting in a net decrease in the proportionate share of 0.1207 percent.

For the year ended June 30, 2018, the COE recognized pension expense of $3,263,304. At June 30, 2018, The COE 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	$ 1,891,064	$ -
Net change in proportionate share of net pension liability	-	2,419,571
Difference between projected and actual earnings on pension plan investments	930,862	-
Differences between expected and actual experience in the measurement of the total pension liability	964,033	-
Changes of assumptions	3,930,460	316,818
Total	$ 7,716,419	$ 2,736,389

The deferred outflow of resources related to pensions resulting from the COE contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The deferred outflows/(inflows) of resources 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
2019	$ (25,223)
2020	1,074,013
2021	391,811
2022	(509,739)
Total	$ 930,862

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 312,990
2020	830,111
2021	1,015,003
Total	$ 2,158,104

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

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 COE'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%)	$ 33,214,943
Current discount rate (7.15%)	$ 26,908,844
1% increase (8.15%)	$ 13,141,415

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $403,547 (9.328 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. On behalf payments have been included in the calculation of available reserves.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The COE received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the ACOE at June 30, 2018.

Litigation

The COE is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the COE at June 30, 2018.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

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

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

During the year ended June 30, 2018, the COE made payments of $516,890 and $53,434 to ACSIG for workers' compensation and property/liabilities insurance coverage, and $33,000 to SPURR for the Utility program.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION AND FUND BALANCE

The COE adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. In addition, the County School Service Fund beginning fund balance was restated as a result of the minimum state aid guaranteed payments under LCFF. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	$ 7,960,078
Inclusion of OPEB liability form the adoption of GASB Statement No. 75	(4,781,486)
Net Position - Beginning as Restated	$ 3,178,592

County School Service Fund - Beginning	$ 22,386,161
LCFF guarantee payment	2,663,013
County School Service Fund - Beginning as Restated	$ 25,049,174

REQUIRED SUPPLEMENTARY INFORMATION

ALAMEDA COUNTY OFFICE OF EDUCATION

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local control funding formula	$18,464,025	$19,194,214	$ 22,850,445	$ 3,656,231
Federal sources	4,406,675	4,922,534	4,650,988	(271,546)
Other State sources	9,289,843	13,732,130	8,611,889	(5,120,241)
Other local sources	8,241,534	9,264,052	9,767,885	503,833
Total Revenues	40,402,077	47,112,930	45,881,207	(1,231,723)
EXPENDITURES				
Current				
Certificated salaries	7,432,585	7,882,480	7,638,509	243,971
Classified salaries	14,539,020	13,838,676	13,758,034	80,642
Employee benefits	6,051,604	6,770,401	6,096,550	673,851
Books and supplies	1,199,115	1,384,792	845,901	538,891
Services and operating expenditures	12,412,058	17,596,026	12,376,457	5,219,569
Other outgo	226,546	194,921	192,616	2,305
Capital outlay	357,728	478,523	463,681	14,842
Total Expenditures	42,218,656	48,145,819	41,371,748	6,774,071
Excess (Deficiency) of Revenues Over Expenditures	(1,816,579)	(1,032,889)	4,509,459	5,542,348
Other Financing Sources (Uses)				
Transfers out	(874,095)	(51,473)	(3,694,540)	(3,643,067)
Net Financing Sources (Uses)	(874,095)	(51,473)	(3,694,540)	(3,643,067)
NET CHANGE IN FUND BALANCES	(2,690,674)	(1,084,362)	814,919	1,899,281
Fund Balance - Beginning	29,093,532	29,093,532	29,093,532	-
Fund Balance - Ending	$26,402,858	$28,009,170	$ 29,908,451	$ 1,899,281

See accompanying note to required supplementary information

ALAMEDA COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHANGES IN THE COE'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 289,888
Interest	235,578
Benefit payments	(296,935)
Net change in total OPEB liability	228,531
Total OPEB liability - beginning	6,738,316
Total OPEB liability - ending	$ 6,966,847
Covered payroll	N/A[1]
The COE's total OPEB liability as a percentage of covered payroll	N/A[1]

See accompanying note to required supplementary information

ALAMEDA COUNTY OFFICE OF EDUCATION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

Measurement Date	2017	2016	2015	2014
CalSTRS				
ACOE's proportion of the net pension liability	0.0002%	0.0172%	0.0178%	0.0186%
ACOE's proportionate share of the net pension liability	$ 14,238,757	$ 13,893,744	$ 11,959,791	$ 10,890,201
State's proportionate share of the net pension liability associated with ACOE	8,423,528	7,909,461	6,325,411	6,575,974
Total	$22,662,285	$21,803,205	$18,285,202	$17,466,175
ACOE's covered - employee payroll	$ 8,154,098	$ 8,716,421	$ 8,295,513	$ 8,196,697
ACOE's proportionate share of the net pension liability as a percentage of its covered - employee payroll	174.62%	159.40%	144.17%	132.86%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
ACOE's proportion of the net pension liability	0.0011%	0.1218%	0.1332%	0.1463%
ACOE's proportionate share of the net pension liability	$ 26,908,844	$ 24,055,652	$ 19,629,790	$ 16,608,098
ACOE's covered - employee payroll	$12,408,330	$13,013,930	$13,418,515	$13,707,255
ACOE's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	216.86%	184.85%	146.29%	121.16%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

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

See accompanying note to required supplementary information

ALAMEDA COUNTY OFFICE OF EDUCATION

SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 1,024,784	$ 1,024,746	$ 909,470	$ 735,739
Contributions in relation to the contractually required contribution	(1,024,784)	(1,024,746)	(909,470)	(735,739)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ACOE's covered - employee payroll	$ 7,106,099	$ 8,154,098	$ 8,716,421	$ 8,295,513
Contributions as a percentage of covered - employee payroll	-14.42%	12.57%	10.43%	8.87%
CalPERS				
Contractually required contribution	$ 1,891,064	$ 1,724,184	$ 1,538,037	$ 1,579,454
Contributions in relation to the contractually required contribution	(1,891,064)	(1,724,184)	(1,538,037)	(1,579,454)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
ACOE's covered - employee payroll	$ 12,209,773	$ 12,408,330	$ 13,013,930	$ 13,418,515
Contributions as a percentage of covered - employee payroll	-15.49%	13.90%	11.82%	11.77%

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

See accompanying note to required supplementary information

ALAMEDA COUNTY OFFICE OF EDUCATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The COE 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.

This schedule 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 COE's Total OPEB Liability and Related Ratios

This schedule presents information on the COE's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. 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.

Change of Assumptions – The plan rate of investment return assumption was changed from 4.5 percent to 3.5 percent since the previous valuation.

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

This schedule presents information on the COE'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 COE. 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 – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of the COE Pension Contributions

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

SUPPLEMENTARY INFORMATION

ALAMEDA COUNTY OFFICE OF EDUCATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Instructional Innovation: School transformations through arts	84.351D	N/A		$ 542,850
Passed Through California Department of Education				
NCLB-Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		559,615
NCLB-Title I, Part A, Basic School Support, Statewide System of School Support	84.010	14416	[2]	897,478
NCLB-Title I, Part D, Subpart 2, Local Delinquent Programs	84.010	14357		531,542
Program total				1,988,635
Title II, Part A, Improving Teacher Quality	84.367	14341		5,081
California Mathematics and Science Partnership Program	84.366B	14512		169,596
Title IV, 21st Century Community Learning Centers Technical Assistance	84.287C	14350		404,400
Title IV, 21st Century Community Learning Centers	84.287C	14535/14603		254,195
Program total				658,595
Indian Education	84.060	10011		63,133
Early Intervention Programs, Part C	84.181	23761		46,086
CARS Net	84.282N	U282N150009		839,708
Passed Through Tri-Valley SELPA				
IDEA Special Education Cluster:				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379		196,965
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197		3,293
IDEA Special Education Cluster total				200,258
Title X McKinney-Vento Education for Homeless Children Assistance Grant	84.196	14332		37,638
Total U.S. Department of Education				4,551,580
U.S. DEPARTMENT OF AGRICULTURE				
Passed through CDE:				
State Nutrition Assistance Program - Nutrition Network	10.560	[1]		9,315
Total U.S. Department of Agriculture				9,315
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Department of Health and Human Services				
Medi-Cal Administrative	93.778	10060		67,634
Medi-Cal Assistance Program (Medi-Cal Billing Option)	93.778	10013		1,270
Medicaid Cluster Sub-total				68,904
NATIONAL ENDOWMENT FOR THE ARTS				
Arts Learning TARI	45.024	[1]		21,189
Total Expenditures of Federal Awards				$ 4,650,988

[1] Pass-Through Entity Identifying Number not available
[2] Of this amount, $224,724 was passed through to other agencies.

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Ken Berrick	President	2020
Yvonne Cerrato	Vice President	2018
Joaquin Rivera	Member	2018
Amber Childress	Member	2020
Eileen McDonald	Member	2020
Aisha Knowles	Member	2018
Fred Sims	Member	2020

ADMINISTRATION

NAME	TITLE
Karen Monroe	Superintendent
Jeffery Potter	Chief Business Officer
Leigh Ann Blessing	Chief Financial Officer
Shaun McElroy	Interim Executive Director of Human Resources

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

SCHEDULE OF AVERAGE DAILY ATTENDANCE
JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
ELEMENTARY		
Juvenile halls, homes, and camps	4.87	6.10
Probation referred, on probation or parole, expelled	4.23	6.15
Total Elementary	9.10	12.25
SECONDARY		
Juvenile halls, homes, and camps	91.07	90.13
Probation referred, on probation or parole, expelled	132.40	135.85
Total Secondary	223.47	225.98
Total ADA	232.57	238.23
CHARTER SCHOOL		
Non Classroom-Based		
Probation referred, on probation or parole, expelled	2.99	6.02
Total Non Classroom-Based	2.99	6.02
Total Charter School	2.99	6.02

Note: All of the charter school ADA are non classroom-based.

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	Form Debt
FORM DEBT	
Total liabilities, June 30, 2018, Unaudited Actuals	$ 5,743,466
Increase in:	
Capital leases	752,162
Compensated Absences	(2)
OPEB liabilities	2,108,045
Total liabilities, June 30, 2018, Audited Financial Statement	$ 8,603,671

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
COUNTY SCHOOL SERVICE [3]				
Revenues	$ 36,436,089	$ 45,881,207	$ 41,902,038	$ 46,545,898
Total Revenues and Other Sources	36,436,089	45,881,207	41,902,038	46,545,898
Expenditures	36,461,813	41,371,748	42,949,785	47,106,858
Other uses and transfers out	63,097	3,694,540	749,281	525,161
Total Expenditures and Other Uses	36,524,910	45,066,288	43,699,066	47,632,019
INCREASE (DECREASE) IN FUND BALANCE	$ (88,821)	$ 814,919	$ (1,797,028)	$ (1,086,121)
ENDING FUND BALANCE	$ 29,004,711	$ 29,093,532	$ 26,430,519	$ 28,227,547
AVAILABLE RESERVES [2]	$ 1,095,402	$ 1,352,257	$ 1,310,972	$ 1,450,223
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	3.00%	3.00%	3.04%
LONG-TERM OBLIGATIONS[4]	Not Available	$ 8,603,671	$ 6,738,316	$ 2,702,737
AVERAGE DAILY ATTENDANCE AT P ANNUAL	230	238	306	377

The County School Service Fund balance has increased by $865,985 over the past two years. The fiscal year 2018-2019 budget projects a decrease of $88,821(or 0.3 percent). For a county office this size, the State recommends available reserves of at least 3 percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County Office has incurred operating surplus in one of the past three years and anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by $5,900,934 over the past two years primarily due to the implementation of GASB 68 and GASB 75.

Average daily attendance has decreased by 139 over the past two years. ACOE is anticipating a decline of 8 ADA during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

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

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

[4] Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Name of Charter School	Included/Not Included in the Audit Report
Community School for Creative Education	Not Included
Yu Ming Charter School	Not Included
Unity Middle School	Not Included
Cox Academy	Not Included
Envisions Academy for Arts & Technology	Not Included
Lazear Charter Academy	Not Included
Urban Montessori Charter	Not Included
ACOE Opportunity Charter	Included

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Charter School Fund	Child Development Fund	Deferred Maintenance Fund	Building Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS						
Deposits and investments	$ (129,585)	$ 50,890	$ 2,424,514	$2,374,142	$ 823,626	$ 5,543,587
Receivables	6,878	1,712	8,097	7,924	2,749	27,360
Due from other funds	159,193	-	2,286,487	-	-	2,445,680
Total Assets	$ 36,486	$ 52,602	$ 4,719,098	$2,382,066	$ 826,375	$ 8,016,627
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 2,825	$ 291	$ 15,014	$ 1,347	$ 467	$ 19,944
Due to other funds	33,661	29,404	-	-	-	63,065
Unearned revenue	-	20,054	-	-	-	20,054
Total Liabilities	36,486	49,749	$ 15,014	$ 1,347	$ 467	$ 103,063
Fund Balances:						
Assigned	-	2,853	4,704,084	2,380,719	825,908	7,913,564
Total Fund Balances	-	2,853	4,704,084	2,380,719	825,908	7,913,564
Total Liabilities and Fund Balances	$ 36,486	$ 52,602	$ 4,719,098	$2,382,066	$ 826,375	$ 8,016,627

See accompanying note to supplementary information.

ALAMEDA COUNTY OFFICE OF EDUCATION

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Charter School Fund	Child Development Fund	Deferred Maintenance Fund	Building Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES						
Revenue limit sources	$ 224,834	$ -	$ -	$ -	$ -	$ 224,834
Other State sources	14,971	164,762	-	-	-	179,733
Other local sources	471	1,824,323	34,569	33,050	11,465	1,903,878
Total Revenues	240,276	1,989,085	34,569	33,050	11,465	2,308,445
EXPENDITURES						
Current						
Instruction	347,064	-	-	-	-	347,064
Instruction-related activities:						
School site administration	16,133	151,182	-	-	-	167,315
Administration:						
All other administration	33,999	14,539	-	-	-	48,538
Plant services	2,611	-	41,835	7,536	2,613	54,595
Facility acquisition and construction	-	-	99,626	-	-	99,626
Total Expenditures	399,807	165,721	141,461	7,536	2,613	717,138
Excess (Deficiency) of Revenues Over Expenditures	(159,531)	1,823,364	(106,892)	25,514	8,852	1,591,307
Other Financing Sources (Uses)						
Transfers in	159,531	-	2,286,487	-	-	2,446,018
Other uses	-	(1,820,511)	-	-	-	(1,820,511)
Net Financing Sources (Uses)	159,531	(1,820,511)	2,286,487	-	-	625,507
NET CHANGE IN FUND BALANCES	-	2,853	2,179,595	25,514	8,852	2,216,814
Fund Balance - Beginning	-	-	2,524,489	2,355,205	817,056	5,696,750
Fund Balance - Ending	$ -	$ 2,853	$ 4,704,084	$2,380,719	$ 825,908	$ 7,913,564

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the COE and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The COE has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Alameda County Office of Education
Hayward, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alameda County Office of Education (the COE) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Alameda County Office of Education's basic financial statements, and have issued our report thereon dated December 7, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the COE adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the COE'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.

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

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 COE'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 COE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 7, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Alameda County Office of Education
Hayward, California

Report on Compliance for Each Major Federal Program

We have audited Alameda County Office of Education (the COE) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alameda County Office of Education's major Federal programs for the year ended June 30, 2018. Alameda County Office of Education's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alameda County Office of Education's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Alameda County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Alameda County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Alameda County Office of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alameda County Office of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with 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 Alameda County Office of Education's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 7, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Alameda County Office of Education
Hayward, California

Report on State Compliance

We have audited Alameda County Office of Education's (the COE) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the *Alameda County Office of Education*'s State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Alameda County Office of Education's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Alameda County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Alameda County Office of Education's compliance with those requirements.

Unmodified Opinion

In our opinion, Alameda County Office of Education complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

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

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

The COE does not have Continuation Education, Middle or Earlier College High Schools, Transportation Maintenance Effort, Apprenticeship, After School Education and Safety Program, and Independent Study Course Based, therefore, we did not perform procedures related to these programs.

The COE 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 COE did not incur any expenditures for the California Clean Energy Jobs Act program during the year, therefore, we did not perform those procedures.

ACOE did not have Charter School – Classroom Based, therefore, we did not perform procedures related to Mode of Instruction, Annual Instruction Minutes Classroom-Based. In addition, the COE did not have Charter School Facility Grant Program, therefore, we did not perform procedures related to this program.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 7, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALAMEDA COUNTY OFFICE OF EDUCATION

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditors' report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance ?	No

Identification of major Federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	NCLB - Title I

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditors' report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

ALAMEDA COUNTY OFFICE OF EDUCATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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