

MARIN COUNTY OFFICE OF EDUCATION
San Rafael, California

FINANCIAL STATEMENTS
June 30, 2014

MARIN COUNTY OFFICE OF EDUCATION

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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MARIN COUNTY OFFICE OF EDUCATION

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Marin County Office of Education
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marin County Office of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Marin County Office of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marin County Office of Education, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 12, the County School Service Fund and Special Education Pass-through Fund Budgetary Comparison Schedules and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 43 to 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marin County Office of Education's basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of Marin 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 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 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 Marin County Office of Education's internal control over financial reporting and compliance.


Crowe Horwath LLP

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

An overview of the Marin County Office of Education (County)'s financial activities for the fiscal year ended June 30, 2014, is presented in this discussion and analysis of the County's financial position and performance.

This Management Discussion and Analysis should be read in conjunction with the County's financial statements, including notes and supplementary information, which immediately follow this section.

Financial Highlights

- ◆ The County has a \$12.06 million fund balance in the unrestricted county school service fund.
- ◆ The County maintained reserves in the county school service fund are greater than the minimum reserves recommended by the state.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County.

- ◆ The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the County's overall financial status.
- ◆ The remaining statements are *fund financial statements* that focus on reporting the County's operations in more detail than the government-wide statements.

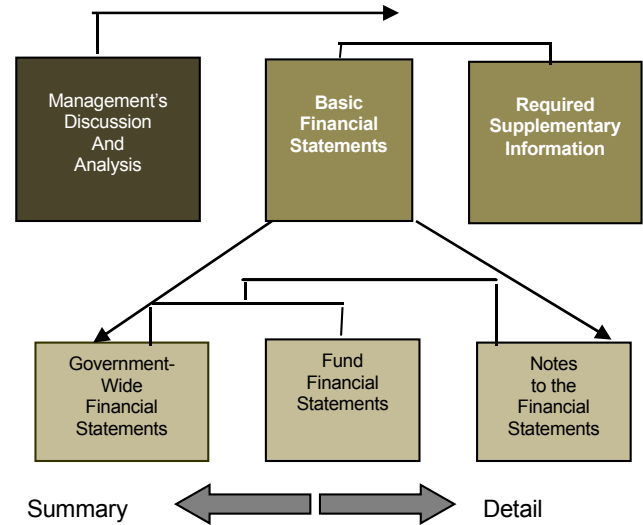
The fund financial statements are further broken down into three types:

- ◆ *Governmental fund statements*, that tell how basic services, such as regular and special education, were financed in the short-term, as well as what remains for future spending.
- ◆ *Proprietary fund statements*, offering short and long-term financial information about activities the County operates like a business, such as the Walker Creek Ranch fund.
- ◆ *Fiduciary fund statements*, providing information about the financial relationships in which the County acts solely as trustee or agent for the benefit of others to whom the resources belong.

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the fiscal year. The diagram presented here shows how the various parts of this annual financial report are arranged and related to one another.

The chart below summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.



Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County, except fiduciary activities	The activities of the County that are not proprietary or fiduciary, such as special education and building maintenance.	Activities the County operates similar to private businesses; Walker Creek Ranch fund.	Instances in which the County administers resources on behalf of someone else, such as student activities monies.
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances.	Statement of Net Position Statement of Revenues, Expenses and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities both short-term and long term; standard funds do not currently contain non-financial assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Government-Wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received.

The two government-wide statements report the County's net position and how it has changed. Net position, the difference between the County's assets and liabilities, is one way to measure the County's financial health or position. Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the County, you need to consider additional non-financial factors including the condition of the County's school buildings and other facilities.

In the government-wide financial statements, the County's activities are reported as governmental activities. Most of the County's services are included here, such as regular and special education, and administration. State formula aid and property taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The County establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

The County has three categories of funds:

- ◆ *Governmental funds* - Most of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps in the determination of whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ◆ *Proprietary funds* - Services for which the County charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
 - *Enterprise funds* - are used to report activities for which a fee is charged to external users for goods or services. The County has one enterprise fund – the Walker Creek Ranch fund.

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Fund Financial Statements (Concluded)

- *Internal Service funds* - are used to report activities that provide supplies and services for the County's other programs and activities. The County currently has one internal service fund – the self-insurance fund. The County uses this fund to account for the County's retiree benefits liability.

- ◆ *Fiduciary funds* - The County is the trustee, or fiduciary, for assets that belong to others, such as the payroll clearing fund. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net position. These activities are excluded from the government-wide financial statements because the County cannot use these assets to finance operations.

Financial Analysis of the Governmental Activities

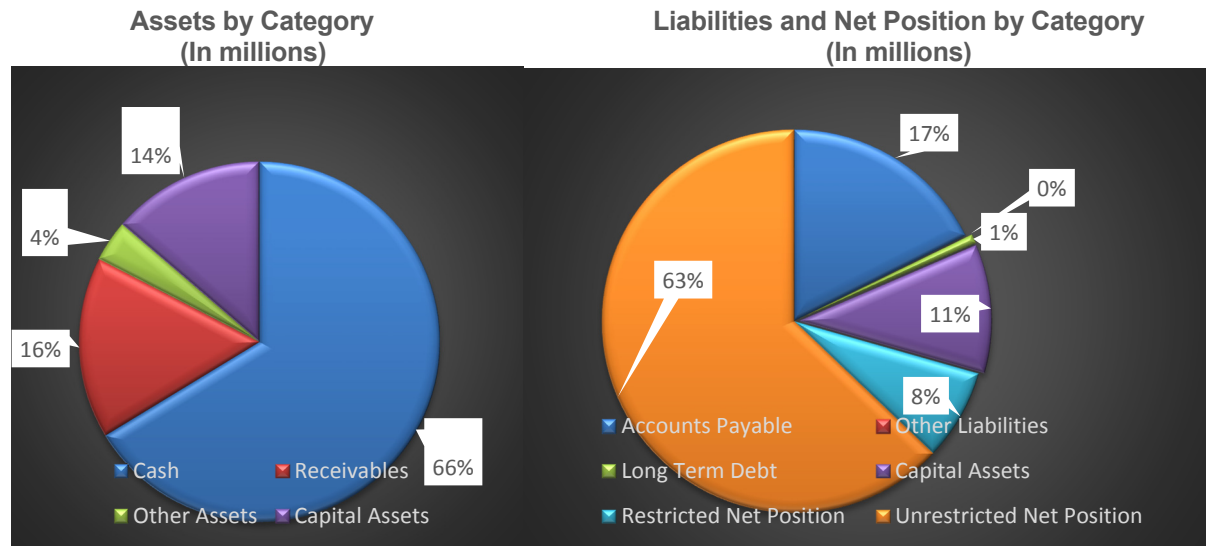
The comparison of the County's Net position as of June 30, 2014 and June 30, 2013, is presented by category in the table below:

	Governmental Activities June 30, 2014	Governmental Activities June 30, 2013
Current and other assets:		
Cash	\$37,787,332	\$39,275,976
Receivables	9,134,186	10,951,704
Due from other funds (Internal Balances)	292,872	283,497
Prepaid expenses	93,346	92,136
Other current assets	10,500	10,500
Capital assets, net of depreciation	11,853,337	7,666,083
Total Assets	59,171,573	58,279,896
Liabilities		
Accounts payable	7,934,606	10,464,265
Deferred revenue	90,024	45,485
Long-term liabilities due after one year	387,532	426,650
Total Liabilities	8,412,162	10,936,400
Net Position:		
Net investment in capital assets	11,853,337	8,066,083
Restricted	27,029,703	26,432,236
Unrestricted	11,876,371	13,245,177
Total Net Position	\$50,759,411	\$ 47,743,496

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Financial Analysis of the Governmental Activities (Concluded)

Presented below is a graph depicting assets by category, along with a graph displaying liabilities and Net position by category for the 2013-14 fiscal year.



Changes in Net Position – Governmental Activities

A comparison of the total County revenues, expenses, and change in Net position of governmental activities between the 2012-13 and 2013-14 fiscal years is presented below.

	Change in Net Position June 30, 2014	Change in Net Position June 30, 2013
Revenues – Program:		
Charges for Services	1,293,445	976,493
Operating Grants and Contributions	18,432,944	19,068,883
Unrestricted Federal and State Aid	2,710,358	4,265,155
Taxes Levied	29,110,012	27,446,166
Interest and Investment Earnings	51,986	58,308
Other General Revenues and Transfers In	2,722,458	2,539,532
Total Revenues	54,321,203	54,354,537
Expenses:		
Instruction	12,410,974	13,223,958
Pupil and Instruction-related Services	9,228,619	9,458,882
General Administration	5,301,583	5,509,284
Plant Services	1,139,466	1,422,153
Other Expenses (Includes SELPA Pass-thru)	23,224,646	23,485,694
Total Expenses	51,305,288	53,099,971
Increase in Net position	3,015,915	1,254,566
Net position, Beginning of the Year	47,473,496	46,488,930
Net position, End of the Year	\$50,759,411	\$ 47,743,496

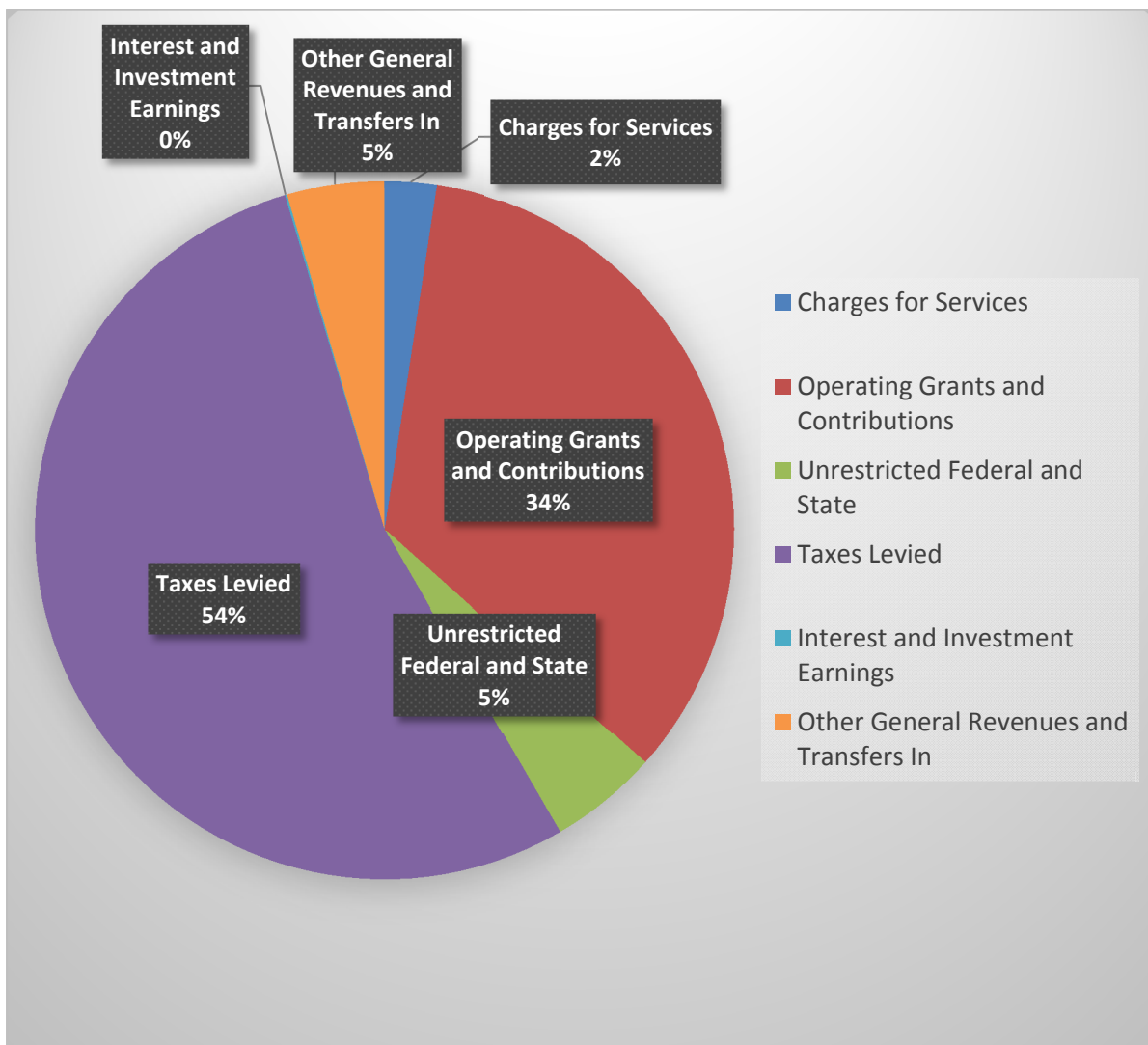
**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Changes in Net position – Governmental Activities (Concluded)

For the 2013-14 fiscal year, total County revenues were \$54.3 million. Total County expenses were \$51.3 million. The difference of \$3.0 million is the increase in governmental activities Net Position, bringing the total governmental activities Net Position at June 30, 2014 to \$50.8 million.

The following graph displays the County's revenue sources by percentage.

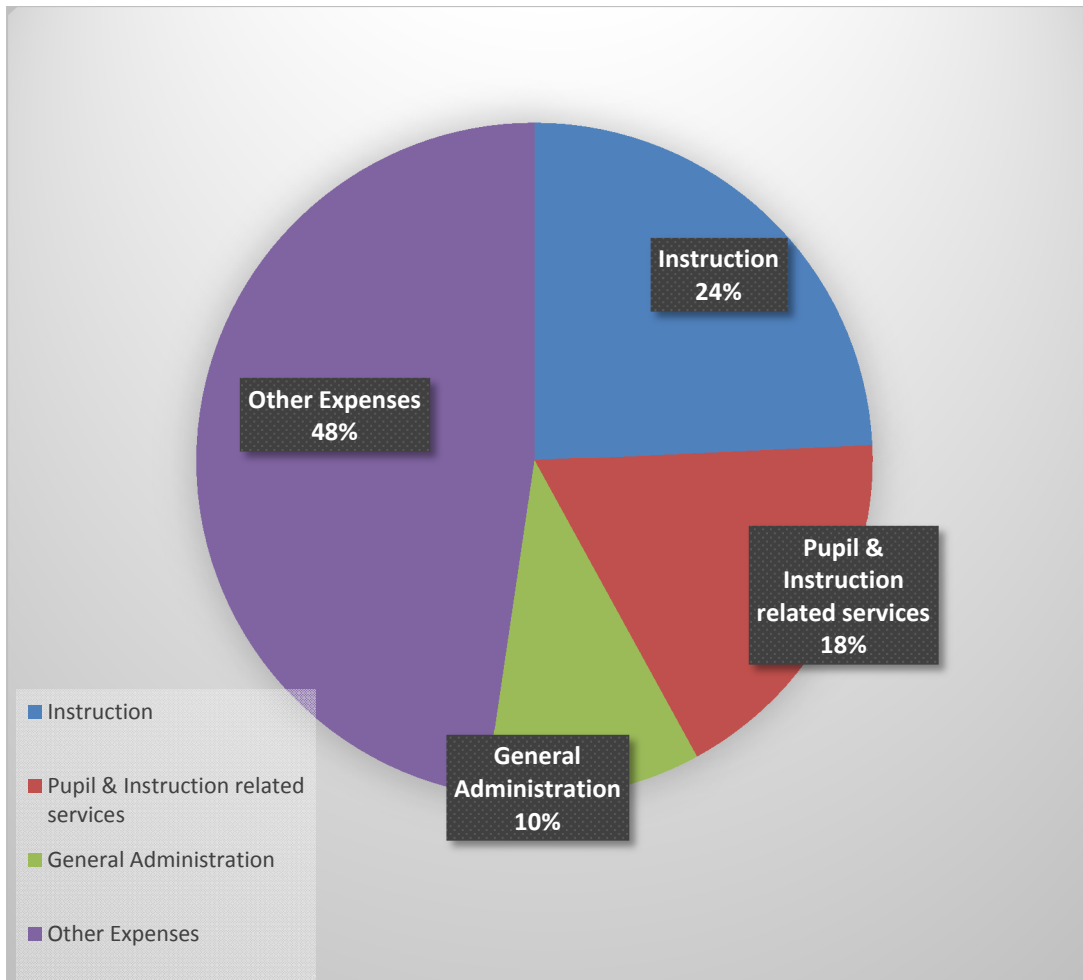
Revenue Sources by Percentage – Governmental Activities



**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below displays by percentage the County's expense function totals.

Functional Expenses by Percentage – Governmental Activities



**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Governmental Activities

Governmental Activities Expenses

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction, Instruction-related Services and Pupil Services	\$21,639,593	\$ 13,292,298	\$22,682,840	\$13,979,956
General Administrative and Plant Services	6,441,049	5,591,463	6,931,437	5,963,239
Other Expenses	23,224,646	12,695,138	23,485,694	33,054,595
Totals	\$ 51,305,288	\$ 31,578,899	\$53,099,971	\$33,054,595

This table displays by function the total and net cost of services provided for the 2014 and 2013 fiscal years. The net cost of services represents the total cost less operating and capital grants and contributions, and for revenue received where a charge is made for the service provided.

Financial Analysis of the County's Funds

The positive financial results of the County as a whole are also reflected in its governmental funds. At June 30, 2014, the County's governmental funds reported a combined fund balance of \$38.5 million.

County School Service Fund Budgetary Highlights

There were several formal revisions made to the budget during the year. These revisions fell into the following main categories:

- ◆ Increases to both estimated revenue and appropriations due to the receipt of new grant awards or donations.
- ◆ The budgeting of carryover balances from prior years. It is the County's policy not to budget carryover amounts from a prior year until after the unaudited actual balances for that year have been calculated.

The County's healthy financial condition at June 30, 2014, will be tested over the next several years as we enter a period of flat state funding through the Local Control Funding Formula (LCFF). The County's plan for moving forward under this new funding formula is discussed more fully in the "Economic Factors and Next Year's Budget" section found later in this document.

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Capital Asset and Debt Administration – The County Office of Education As A Whole

Capital Assets (Net of Depreciation)

	County-Wide Activities	
	2014	2013
Land	\$2,074,221	\$2,074,221
Buildings and Improvement of Sites	12,461,564	8,608,439
Machinery and Equipment	554,259	631,165
Totals	\$15,090,044	\$11,313,825

Capital assets in the table above are reflected at June 30, 2014 and 2013. The County uses \$5,000 as its capitalization threshold. Depreciation on each capitalized asset has been calculated using the straight-line method over applicable useful lives.

Outstanding Debt at Year-End

	County-Wide Activities	
	2014	2013
Compensated Absences	\$239,582	\$237,516
Other Post Employment Benefits	147,950	189,134
Totals	\$387,532	\$426,650

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

Economic Factors and Next Year's Budget

Factors impacting the 2014-15 County budget include the following:

- ◆ The County's budget for 2014-15 projects deficit funding primarily due to one-time expenditures associated with the furniture for County Community School facility project.
- ◆ The Marin County Office of Education (MCOE) is both an excess tax county office and a hold harmless county office under the Local Control Funding Formula (LCFF). This means the MCOE's local property taxes exceed its LCFF entitlement, and the 2012-13 hold harmless base funding exceeds the LCFF entitlement. Based on current projections the MCOE will be "flat funded" into the foreseeable future.

**MARIN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Contacting the County's Financial Management

This financial report is designed to provide our community of parents, citizens, taxpayers and potential investors and creditors with a general overview of the County's finances and shows the County's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact: Terena Mares, Deputy Superintendent, at 1111 Las Gallinas Avenue, San Rafael, California 94913-4925.

BASIC FINANCIAL STATEMENTS

MARIN COUNTY OFFICE OF EDUCATION

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
ASSETS			
Cash and investments (Note 2)	\$ 37,787,332	\$ 876,647	\$ 38,663,979
Receivables	9,134,186	194,056	9,328,242
Due from (to) other funds, net (Note 3)	292,872	(292,872)	-
Stores inventory	-	11,440	11,440
Prepaid expenses	93,346	5,336	98,682
Other current assets	10,500	-	10,500
Non-depreciable capital assets (Note 4)	400,000	1,674,221	2,074,221
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>11,453,337</u>	<u>1,562,486</u>	<u>13,015,823</u>
Total assets	<u>59,171,573</u>	<u>4,031,314</u>	<u>63,202,887</u>
LIABILITIES			
Accounts payable	7,934,606	48,075	7,982,681
Unearned revenue	90,024	129,569	219,593
Long-term liabilities (Note 5):			
Due after one year	<u>387,532</u>	<u>-</u>	<u>387,532</u>
Total liabilities	<u>8,412,162</u>	<u>177,644</u>	<u>8,589,806</u>
NET POSITION			
Net investment in capital assets	11,853,337	3,236,707	15,090,044
Restricted (Note 6)	27,029,703	616,963	27,646,666
Unrestricted	<u>11,876,371</u>	<u>-</u>	<u>11,876,371</u>
Total net position	<u>\$ 50,759,411</u>	<u>\$ 3,853,670</u>	<u>\$ 54,613,081</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 12,410,974	\$ 54,209	\$ 3,392,899	\$ -	\$ (8,963,866)	\$ -	\$ (8,963,866)
Instruction-related services:							
Supervision of instruction	8,238,713	805,285	3,768,826	-	(3,664,602)	-	(3,664,602)
Instructional library, media and technology	100,382	36,004	65,301	-	923	-	923
Pupil services:							
Food services	(169)	-	(33)	-	136	-	136
All other pupil services	889,693	10,835	213,969	-	(664,889)	-	(664,889)
General administration:							
Data processing	1,252,219	29,198	59,872	-	(1,163,149)	-	(1,163,149)
All other general administration	4,049,364	93,921	597,522	-	(3,357,921)	-	(3,357,921)
Plant services	1,139,466	-	69,073	-	(1,070,393)	-	(1,070,393)
Ancillary services	236,144	26,136	151,953	-	(58,055)	-	(58,055)
Community services	637,165	47,579	86,295	-	(503,291)	-	(503,291)
Other outgo	22,351,337	190,278	10,027,267	-	(12,133,792)	-	(12,133,792)
Business-type activities:							
Enterprise activities	<u>2,539,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,539,953)</u>	<u>(2,539,953)</u>
Total governmental and business-type activities	<u>\$ 53,845,241</u>	<u>\$ 1,293,445</u>	<u>\$ 18,432,944</u>	<u>\$ -</u>	<u>(31,578,899)</u>	<u>(2,539,953)</u>	<u>(34,118,852)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					29,084,270	-	29,084,270
Taxes levied for other specific purposes					25,742	-	25,742
Federal and state aid not restricted to specific purposes					2,710,358	-	2,710,358
Interest and investment earnings					51,986	676	52,662
Interagency revenues					108,494	-	108,494
Miscellaneous					2,321,092	3,088,180	5,409,272
Internal transfers					<u>292,872</u>	<u>(292,872)</u>	<u>-</u>
Total general revenues					<u>34,594,814</u>	<u>2,795,984</u>	<u>37,390,798</u>
Change in net position					3,015,915	256,031	3,271,946
Net position, July 1, 2013					<u>47,743,496</u>	<u>3,597,639</u>	<u>51,341,135</u>
Net position, June 30, 2014					<u>\$ 50,759,411</u>	<u>\$ 3,853,670</u>	<u>\$ 54,613,081</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	County School Service Fund	Special Education Pass-Through Fund	Special Reserve for Capital Outlay Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 16,200,290	\$ 1,187,368	\$ 17,504,073	\$ 2,221,781	\$ 37,113,512
Cash in revolving fund	6,500	-	-	-	6,500
Receivables	7,036,730	2,031,024	-	65,662	9,133,416
Due from other funds	700,344	1,272,845	-	250	1,973,439
Prepaid expenditures	93,346	-	-	-	93,346
Other current assets	<u>10,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,500</u>
 Total assets	 <u>\$ 24,047,710</u>	 <u>\$ 4,491,237</u>	 <u>\$ 17,504,073</u>	 <u>\$ 2,287,693</u>	 <u>\$ 48,330,713</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,003,730	\$ 3,923,973	\$ -	\$ 6,903	\$ 7,934,606
Due to other funds	1,411,733	297,626	-	82,684	1,792,043
Unearned revenue	<u>89,862</u>	<u>-</u>	<u>-</u>	<u>162</u>	<u>90,024</u>
 Total liabilities	 <u>5,505,325</u>	 <u>4,221,599</u>	 <u>-</u>	 <u>89,749</u>	 <u>9,816,673</u>
Fund balances:					
Nonspendable	99,846	-	-	-	99,846
Restricted	6,278,722	269,638	17,504,073	2,197,944	26,250,377
Committed	8,039,084	-	-	-	8,039,084
Unassigned	<u>4,124,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,124,733</u>
 Total fund balances	 <u>18,542,385</u>	 <u>269,638</u>	 <u>17,504,073</u>	 <u>2,197,944</u>	 <u>38,514,040</u>
 Total liabilities and fund balances	 <u>\$ 24,047,710</u>	 <u>\$ 4,491,237</u>	 <u>\$ 17,504,073</u>	 <u>\$ 2,287,693</u>	 <u>\$ 48,330,713</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances - Governmental Funds		\$ 38,514,040
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$18,893,194 and the accumulated depreciation is \$7,039,857 (Note 4).		
		11,853,337
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2014 consisted of:		
Other postemployment benefits (Note 5 and 8)	\$ (147,950)	
Compensated absences (Note 5)	<u>(239,582)</u>	
		(387,532)
Internal service funds are used to conduct certain activities for which costs are charged to other funds. Assets and liabilities are reported with governmental activities in the statement of net position.		
		<u>779,566</u>
Total net position - governmental activities		<u>\$ 50,759,411</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>County School Service Fund</u>	<u>Special Education Pass-Through Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 2,211,870	\$ -	\$ -	\$ -	\$ 2,211,870
Local sources	<u>13,775,378</u>	<u>15,309,474</u>	<u>-</u>	<u>-</u>	<u>29,084,852</u>
Total LCFF	<u>15,987,248</u>	<u>15,309,474</u>	<u>-</u>	<u>-</u>	<u>31,296,722</u>
Federal sources	2,522,806	5,034,051	-	117,771	7,674,628
Other state sources	2,987,178	1,613,947	-	-	4,601,125
Other local sources	<u>9,880,353</u>	<u>1,820</u>	<u>19,630</u>	<u>634,829</u>	<u>10,536,632</u>
Total revenues	<u>31,377,585</u>	<u>21,959,292</u>	<u>19,630</u>	<u>752,600</u>	<u>54,109,107</u>
Expenditures:					
Certificated salaries	8,264,976	-	-	-	8,264,976
Classified salaries	6,922,889	-	-	74,596	6,997,485
Employee benefits	4,545,916	-	-	12,567	4,558,483
Books and supplies	651,475	-	-	332	651,807
Contract services and operating expenditures	7,489,290	-	-	525,938	8,015,228
Capital outlay	4,380,742	-	-	-	4,380,742
Transfer to Districts	-	21,820,324	-	-	21,820,324
Other outgo	<u>531,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,012</u>
Total expenditures	<u>32,786,300</u>	<u>21,820,324</u>	<u>-</u>	<u>613,433</u>	<u>55,220,057</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,408,715)</u>	<u>138,968</u>	<u>19,630</u>	<u>139,167</u>	<u>(1,110,950)</u>
Other financing sources (uses):					
Operating transfers in	328,758	-	-	-	328,758
Operating transfers out	<u>(27,162)</u>	<u>-</u>	<u>-</u>	<u>(8,724)</u>	<u>(35,886)</u>
Total other financing sources (uses)	<u>301,596</u>	<u>-</u>	<u>-</u>	<u>(8,724)</u>	<u>292,872</u>
Net change in fund balances	(1,107,119)	138,968	19,630	130,443	(818,078)
Fund balances, July 1, 2013	<u>19,649,504</u>	<u>130,670</u>	<u>17,484,443</u>	<u>2,067,501</u>	<u>39,332,118</u>
Fund balances, June 30, 2014	<u>\$ 18,542,385</u>	<u>\$ 269,638</u>	<u>\$ 17,504,073</u>	<u>\$ 2,197,944</u>	<u>\$ 38,514,040</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Net change in fund balances - Total Governmental Funds	\$ (818,078)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4). 4,367,288	
Proceeds from disposal of capital assets are reported as revenue in the governmental funds and a gain or loss in the statement of activities (Note 4). (63,008)	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(517,026)
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In government-wide statements, other postemployment benefits are recognized on the accrual basis (Notes 5 and 8).	41,184
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(2,066)
Activities of the internal service fund are reported with governmental activities.	<u>7,621</u>
Change in net position of governmental activities	<u>\$ 3,015,915</u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND

June 30, 2014

ASSETS

Current assets:

Cash in County Treasury	\$ 667,320
Receivables	770
Due from other funds	<u>111,476</u>

Total current assets 779,566

NET POSITION

Restricted \$ 779,566

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2014

Operating revenues:	
Contributions	\$ 138,428
Operating expenses:	
Contract services and operating expenses	<u>131,564</u>
Operating income	6,864
Non-operating revenue:	
Interest income	<u>757</u>
Change in net position	7,621
Net position, July 1, 2013	<u>771,945</u>
Net position, June 30, 2014	<u><u>\$ 779,566</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2014

Cash flows from operating activities:	
Cash received from premiums	\$ 132,459
Cash paid for services	<u>(131,564)</u>
Net cash provided by operating activities	895
Cash flows provided by investing activities:	
Interest income received	<u>1,143</u>
Increase in Cash in County Treasury	2,038
Cash in County Treasury, July 1, 2013	<u>665,282</u>
Cash in County Treasury, June 30, 2014	<u><u>\$ 667,320</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 6,864
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other funds	<u>(5,969)</u>
Net cash provided by operating activities	<u><u>\$ 895</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
OTHER ENTERPRISE FUND

June 30, 2014

ASSETS

Current assets:	
Cash in County Treasury	\$ 871,497
Cash in revolving fund	5,150
Receivables	194,056
Due from other funds	27,162
Stores inventory	11,440
Prepaid expenses	<u>5,336</u>
Total current assets	<u>1,114,641</u>
Non-depreciable capital assets	1,674,221
Depreciable capital assets, net of accumulated depreciation	<u>1,562,486</u>
Total assets	<u>4,351,348</u>

LIABILITIES

Current liabilities:	
Accounts payable	48,075
Due to other funds	320,034
Unearned revenue	<u>129,569</u>
Total liabilities	<u>497,678</u>

NET POSITION

Net investment in capital assets	3,236,707
Restricted	<u>616,963</u>
Total net position	<u><u>\$ 3,853,670</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND
OTHER ENTERPRISE FUND
For the Year Ended June 30, 2014

Operating revenues:	
Other local revenues	<u>\$ 3,088,180</u>
Operating expenses:	
Certificated salaries	38,939
Classified salaries	1,383,204
Employee benefits	486,739
Books and supplies	317,373
Contract services and operating expenses	228,022
Depreciation expense	<u>85,673</u>
Total operating expenses	<u>2,539,950</u>
Operating income	<u>548,230</u>
Non-operating revenue (expense):	
Interest income	673
Transfers from other funds	27,162
Transfers to other funds	<u>(320,034)</u>
Total non-operating revenue (expense)	<u>(292,199)</u>
Change in net position	256,031
Net position, July 1, 2013	<u>3,597,639</u>
Net position, June 30, 2014	<u><u>\$ 3,853,670</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
OTHER ENTERPRISE FUND
For the Year Ended June 30, 2014

Cash flows from operating activities:	
Cash received from local sources	\$ 2,933,027
Cash paid to suppliers for goods and services	(610,251)
Cash paid for employee benefits and operating expenses	<u>(1,908,882)</u>
Net cash provided by operating activities	<u>413,894</u>
Cash flows from capital and financing activities:	
Purchase of capital assets	(74,638)
Transfer from other funds	23,864
Transfer to other funds	<u>(307,361)</u>
Net cash used in capital and financing activities	<u>(358,135)</u>
Cash flows provided by investing activities:	
Interest income received	<u>673</u>
Increase in cash and cash equivalents	56,432
Cash and cash equivalents, July 1, 2013	<u>820,215</u>
Cash and cash equivalents, June 30, 2014	<u><u>\$ 876,647</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 548,230</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	85,673
Decrease (increase) in:	
Receivables	46,672
Prepaid expenses	(4,659)
Inventory	762
Decrease in:	
Accounts payable	(60,959)
Unearned revenue	<u>(201,825)</u>
Total adjustments	<u>(134,336)</u>
Net cash provided by operating activities	<u><u>\$ 413,894</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2014

	Payroll Clearing Fund
ASSETS	
Cash in County Treasury (Note 2)	\$ 829,132
Receivables	<u>2,588</u>
Total assets	<u><u>\$ 831,720</u></u>
LIABILITIES	
Accounts payable	<u><u>\$ 831,720</u></u>

See accompanying notes to financial statements.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Marin County Office of Education (the "County Office") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the County Office conform to accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board*. The following is a summary of the more significant policies:

Reporting Entity

The Superintendent of Schools and the Board of Education are the level of government which has governance responsibilities over all activities related to public school education as conducted by the County Office. The County Office is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have approval authority, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The County Office receives funding from local, state and federal government sources and must comply with all the requirements of these funding sources.

Basis of Presentation - Financial Statements

The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the County Office's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the County Office's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements, and are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the County Office's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the County Office's general revenues.

Allocation of indirect expenses: The County Office reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

The accounts of the County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

1 - County School Service Fund:

The County School Service Fund is the general operating fund of the County Office and accounts for all revenues and expenditures of the County Office not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the County School Service Fund. For financial reporting purposes, the current year activity and year-end balance of the Special Reserve for Other than Capital Outlay Fund are included in the County School Service Fund.

2 - Special Education Pass-Through Fund:

The Special Education Pass-Through Fund is used to account for special education revenue passed through to other member Local Educational Agencies.

3 - Special Reserve for Capital Outlay Fund:

The Special Reserve for Capital Outlay Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This includes the Child Development, Deferred Maintenance, and Foundation Special Revenue Funds.

The County School Facilities Fund is a Capital Projects Fund used to account for resources used for the acquisition of capital facilities by the County Office.

The Self-Insurance Fund is an Internal Service Fund which is used to account for services rendered on a cost-reimbursement basis, and funds held for early retirement incentive agreements and other post-employment benefits.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds (Continued)

The Other Enterprise Fund is used to account for the operations of the outdoor education and conference programs at Walker Creek Ranch, which are financed and operated in a manner similar to business enterprises, where the intent is to recover the cost of providing the services through user charges.

The Payroll Clearing Fund is an Agency Fund which is used to account for the activities for which the County Office has an agency relationship with the activity of the fund. This fund is used to account for the payroll for all educational entities within the county.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied

Accrual

Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The County Office's governing board satisfied these requirements.

Receivables

Receivables are made up principally of amounts due from the State of California for Local Control Funding Formula and categorical programs. The County has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The County Office does not have any item of this type.

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

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or governmental proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Compensated Absences

Compensated absences benefits totaling \$239,582 are recorded as a liability of the County Office. The liability is for the earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the County Office since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

Unearned Revenue

Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Investment in Capital Assets

Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent cash from debt issuance and deferred outflows/inflows resulting from refunding debt instruments.

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted program activities is restricted for expenditures only in that particular program. The restriction for special revenue funds represents the portion of net position restricted for special purposes. The restriction for capital projects funds represents the portion of net position restricted for capital projects. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for self-insurance represents the portion of net position available to pay self-insurance obligations. The restriction for Marin County Outdoor School represents the portion of net position restricted for the operation of Marin County Outdoor School. It is the County Office's policy to use restricted net position first when allowable expenditures are incurred.

Fund Balance Classifications

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications (Continued)

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the County Office's Board of Education has approved to be used for specific purposes, based on the County Office's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2014, the Marin County Superintendent had been designated with authority to make fund balance assignments.

E - Unassigned Fund Balance:

In the County School Service Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the County School Service Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the County School Service Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

Fund Balance Policy

The County Office has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require county offices to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. The County Office has established a policy to maintain a 5% reserve for economic uncertainty, and has established a stabilization arrangement, reflected as committed fund balance in the General Fund.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Marin bills and collects taxes for the County Office. Tax revenues are recognized by the County Office when received.

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements

In March 2012 GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, the County Office should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the County Office's fiscal year ended June 30, 2014, with no material impact on the County Office.

In June 2012 GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the County Office's fiscal year ended June 30, 2014, with no material impact on the County Office.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In June 2012 GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the County Office's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the County Office's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

2. CASH AND INVESTMENTS

Cash at June 30, 2014 consisted of the following:

	<u>Government Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 37,780,832	\$ 871,497	\$ 829,132
Deposits:			
Revolving cash fund	<u>6,500</u>	<u>5,150</u>	<u>-</u>
Total	<u><u>\$ 37,787,332</u></u>	<u><u>\$ 876,647</u></u>	<u><u>\$ 829,132</u></u>

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the Marin County Treasury. The County pools these funds with those of school districts and other agencies in the County and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the County Office's deposits are maintained in a recognized pooled investment fund under the care of a third party and the County Office's share of the pool does not consist of specific, identifiable investment securities owned by the County Office, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the Marin County Treasurer may invest in derivative securities. However, at June 30, 2014, the Marin County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

The County Office limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the County Office's accounts was \$11,650 and the bank balances were \$10,150, all of which was insured.

Interest Rate Risk

The County Office does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the County Office had no significant interest rate risk related to cash and investments held.

Credit Risk

The County Office does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk

The County Office does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the County Office had no concentration of credit risk.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. INTERFUND TRANSACTIONS

Interfund Activity

Transfers between funds of the County Office are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from individual funds.

Interfund Receivables/Payables

Individual fund interfund receivable and payable balances at June 30, 2014 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<u>Governmental Activities</u>		
Major Fund:		
General Fund	\$ 700,344	\$ 1,411,733
Special Education Pass-Through	1,272,845	297,626
Non-Major Funds:		
Child Development	-	82,684
Foundation Special Revenue	250	-
Self-Insurance	111,476	-
<u>Business-Type Activities</u>		
Other Enterprise Fund	<u>27,162</u>	<u>320,034</u>
Totals	<u>\$ 2,112,077</u>	<u>\$ 2,112,077</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2013-14 fiscal year ended were as follows:

Transfer from the Other Enterprise Fund to the County School Service Fund for indirect costs.	\$ 320,034
Transfer from the County School Service Fund to the Other Enterprise Fund for Federal School Lunch Program revenues earned by the Enterprise fund.	27,162
Transfer from the Child Development Fund to the County School Service Fund for indirect costs.	<u>8,724</u>
	<u>\$ 355,920</u>

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance July 1, <u>2013</u>	Transfers and <u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2014</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Depreciable:				
Buildings and improvements	11,603,500	4,326,147	63,008	15,866,639
Equipment	<u>2,618,043</u>	<u>41,141</u>	<u>32,629</u>	<u>2,626,555</u>
Totals, at cost	<u>14,621,543</u>	<u>4,367,288</u>	<u>95,637</u>	<u>18,893,194</u>
Less accumulated depreciation:				
Buildings and improvements	(4,498,453)	(408,385)	-	(4,906,838)
Equipment	<u>(2,057,007)</u>	<u>(108,641)</u>	<u>(32,629)</u>	<u>(2,133,019)</u>
Total accumulated depreciation	<u>(6,555,460)</u>	<u>(517,026)</u>	<u>(32,629)</u>	<u>(7,039,857)</u>
Capital assets, net	<u>\$ 8,066,083</u>	<u>\$ 3,850,262</u>	<u>\$ 63,008</u>	<u>\$ 11,853,337</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	<u>\$ 517,026</u>
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Business-Type Activities

Non-depreciable:				
Land	\$ 1,674,221	\$ -	\$ -	\$ 1,674,221
Depreciable:				
Buildings and improvements	2,851,128	74,638	-	2,925,766
Equipment	<u>274,123</u>	<u>-</u>	<u>-</u>	<u>274,123</u>
Totals, at cost	<u>4,799,472</u>	<u>74,638</u>	<u>-</u>	<u>4,874,110</u>
Less accumulated depreciation:				
Buildings and improvements	(1,347,736)	(76,267)	-	(1,424,003)
Equipment	<u>(203,994)</u>	<u>(9,406)</u>	<u>-</u>	<u>(213,400)</u>
Total accumulated depreciation	<u>(1,551,730)</u>	<u>(85,673)</u>	<u>-</u>	<u>(1,637,403)</u>
Capital assets, net	<u>\$ 3,247,742</u>	<u>\$ (11,035)</u>	<u>\$ -</u>	<u>\$ 3,236,707</u>

Depreciation expense was charged to business-type activities.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2014 is shown below:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
Net OPEB obligation (Note 8)	\$ 189,134	\$ 97,288	\$ 138,472	\$ 147,950	\$ -
Compensated absences	<u>237,516</u>	<u>2,066</u>	<u>-</u>	<u>239,582</u>	<u>-</u>
Totals	<u>\$ 426,650</u>	<u>\$ 99,354</u>	<u>\$ 138,472</u>	<u>\$ 387,532</u>	<u>\$ -</u>

Payments on the Net OPEB obligation and compensated absences are made from various County Office funds in which the related employee worked.

6. NET POSITION / FUND BALANCES

The restricted net position consists of the following at June 30, 2014:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Restricted for:		
Unspent categorical revenues	\$ 6,278,722	\$ -
Special revenue programs	2,467,342	-
Capital projects	17,504,073	-
Self Insurance	779,566	-
Marin County Outdoor School	<u>-</u>	<u>616,963</u>
	<u>\$ 27,029,703</u>	<u>\$ 616,963</u>

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2014 consisted of the following:

	County School Service Fund	Special Education Pass- Through Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 6,500	\$ -	\$ -	\$ -	\$ 6,500
Prepaid expenditures	<u>93,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,346</u>
Subtotal nonspendable	<u>99,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,846</u>
Restricted:					
Unspent categorical revenues	6,278,722	-	-	-	6,278,722
Special Education programs	-	269,638	-	-	269,638
Deferred maintenance	-	-	-	1,819,607	1,819,607
Marin Schools Rule Foundation	-	-	-	378,097	378,097
Capital projects	<u>-</u>	<u>-</u>	<u>17,504,073</u>	<u>240</u>	<u>17,504,313</u>
Subtotal restricted	<u>6,278,722</u>	<u>269,638</u>	<u>17,504,073</u>	<u>2,197,944</u>	<u>26,250,377</u>
Committed:					
Stabilization arrangements	<u>8,039,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,039,084</u>
Unassigned:					
Designated for economic uncertainty	3,941,214	-	-	-	3,941,214
Undesignated	<u>183,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,519</u>
Subtotal unassigned	<u>4,124,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,124,733</u>
Total fund balances	<u>\$ 18,542,385</u>	<u>\$ 269,638</u>	<u>\$ 17,504,073</u>	<u>\$ 2,197,944</u>	<u>\$ 38,514,040</u>

7. EMPLOYEE RETIREMENT SYSTEMS

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

California Public Employees' Retirement System (CalPERS)

Plan Description

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

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS) (Continued)

Funding Policy

Active plan members are required to contribute 7% of their salary, and the County Office is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The County Office's contributions to CalPERS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$701,749, \$678,553 and \$844,860 respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The County Office contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The County Office's contributions to STRS for the fiscal years ending June 30, 2012, 2013 and 2014 were \$836,063, \$859,344 and \$643,966 respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

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 County Office has elected to use Social Security as its alternative plan. Contributions made by the County Office and an employee vest immediately. For the year ending June 30, 2014, the County Office contributed 6.2% of an employee's gross earnings. In addition, each participating employee was required to contribute 4.2% of their gross earnings.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the County Office provides certain post-retirement medical benefits to employees aged 55 or older who retire from the County Office with ten years of full-time service, and are also eligible for pension benefits from CalSTRS or CalPERS. Retirees generally receive 100% of the highest available plan at the composite rate at the time of retirement, up to a specified cap depending on length of service and type of employee. Certificated employees receive a maximum of \$100 per month for 10-14 years of service, or \$200 per month for more than 15 years of service. Classified employees receive \$51.06 per month for 10-14 years of service, or \$102.12 per month for more than 15 years of service. Administrative employees may receive contributions up to the active cap. The County Office pays the benefits until the retiree reaches age 65, or becomes Medicare eligible. Expenditures for post-retirement health care benefits are recognized as the premiums are paid. Currently, 9 retirees are receiving these benefits.

The County Office's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County Office's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County Office's net OPEB obligation:

Annual required contribution	\$ 102,716
Interest on net OPEB obligation	8,984
Adjustment to annual required contribution	<u>(14,412)</u>
Annual OPEB cost (expense)	97,288
Contributions made	<u>(138,472)</u>
Increase in net OPEB obligation	(41,184)
Net OPEB obligation - beginning of year	<u>189,134</u>
Net OPEB obligation - end of year	<u><u>\$ 147,950</u></u>

The County Office's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 and preceding two years were as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2012	\$ 158,071	71.3%	\$ 220,403
June 30, 2013	\$ 103,417	130.2%%	\$ 189,134
June 30, 2014	\$ 97,288	142.3%	\$ 147,950

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of November 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,068,556, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,068,556. The covered payroll (annual payroll of active employees covered by the Plan) was \$15,938,542, and the ratio of the UAAL to the covered payroll was 6.7% percent. The OPEB plan is currently operated as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the November 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, an inflation of 2.75 percent, and an annual healthcare cost trend rate of 4.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 is 29 years.

9. JOINT POWERS AGREEMENT

The County Office is a member of Marin Schools Insurance Authority (MSIA), which is a common risk management and insurance program providing workers' compensation and property and liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The following is a summary of financial information for MSIA as of June 30, 2014:

Total assets	\$ 25,150,985
Total liabilities	\$ 17,821,466
Net position	\$ 7,329,519
Total revenues	\$ 12,659,307
Total expenses	\$ 10,407,758
Change in net position	\$ 2,251,549

The relationship between Marin County Office of Education and the Joint Powers Authority is such that it is not a component unit of the County Office for financial reporting purposes.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. CONTINGENCIES

The County Office is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the County Office.

Also, the County Office has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN COUNTY OFFICE OF EDUCATION
COUNTY SCHOOL SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 1,429,617	\$ 3,301,616	\$ 2,211,870	\$ (1,089,746)
Local sources	<u>12,648,550</u>	<u>12,765,535</u>	<u>13,775,378</u>	<u>1,009,843</u>
Total LCFF	<u>14,078,167</u>	<u>16,067,151</u>	<u>15,987,248</u>	<u>(79,903)</u>
Federal sources	2,548,371	2,549,757	2,522,806	(26,951)
Other state sources	6,584,850	3,527,254	2,987,178	(540,076)
Other local sources	<u>8,924,077</u>	<u>8,894,798</u>	<u>9,880,353</u>	<u>985,555</u>
Total revenues	<u>32,135,465</u>	<u>31,038,960</u>	<u>31,377,585</u>	<u>338,625</u>
Expenditures:				
Certificated salaries	9,135,333	8,874,043	8,264,976	609,067
Classified salaries	7,920,166	8,016,043	6,922,889	1,093,154
Employee benefits	5,605,589	4,981,044	4,545,916	435,128
Books and supplies	827,628	1,511,573	651,475	860,098
Contract services and operating expenditures	8,596,940	9,224,370	7,489,290	1,735,080
Capital outlay	3,625,237	8,356,194	4,380,742	3,975,452
Other outgo	<u>1,724,159</u>	<u>1,724,159</u>	<u>531,012</u>	<u>1,193,147</u>
Total expenditures	<u>37,435,052</u>	<u>42,687,426</u>	<u>32,786,300</u>	<u>9,901,126</u>
Deficiency of revenues under expenditures	<u>(5,299,587)</u>	<u>(11,648,466)</u>	<u>(1,408,715)</u>	<u>10,239,751</u>
Other financing sources (uses):				
Operating transfers in	368,932	349,827	328,758	(21,069)
Operating transfers out	<u>(16,200)</u>	<u>(23,275)</u>	<u>(27,162)</u>	<u>(3,887)</u>
Total other financing sources (uses)	<u>352,732</u>	<u>326,552</u>	<u>301,596</u>	<u>(24,956)</u>
Net change in fund balance	(4,946,855)	(11,321,914)	(1,107,119)	10,214,795
Fund balance, July 1, 2013	<u>19,649,504</u>	<u>19,649,504</u>	<u>19,649,504</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 14,702,649</u>	<u>\$ 8,327,590</u>	<u>\$ 18,542,385</u>	<u>\$ 10,214,795</u>

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SPECIAL EDUCATION PASS-THROUGH FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Local Control Funding Formula:				
Local sources	\$ 15,492,229	\$ 15,492,229	\$ 15,309,474	\$ (182,755)
Federal sources	4,692,606	4,692,606	5,034,051	341,445
Other state sources	1,156,828	1,156,828	1,613,947	457,119
Other local sources	<u>-</u>	<u>-</u>	<u>1,820</u>	<u>1,820</u>
Total revenues	<u>21,341,663</u>	<u>21,341,663</u>	<u>21,959,292</u>	<u>617,629</u>
Expenditures:				
Transfers to districts	<u>21,261,663</u>	<u>21,261,663</u>	<u>21,820,324</u>	<u>(558,661)</u>
Net change in fund balance	80,000	80,000	138,968	58,968
Fund balance, July 1, 2013	<u>130,670</u>	<u>130,670</u>	<u>130,670</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 210,670</u>	<u>\$ 210,670</u>	<u>\$ 269,638</u>	<u>\$ 58,968</u>

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2014

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
April 1, 2008	\$ -	\$ 1,512,912	\$ 1,512,912	0%	\$ 17,216,758	8.8%
April 1, 2010	\$ -	\$ 2,097,411	\$ 2,097,411	0%	\$ 17,116,502	12.3%
November 1, 2013	\$ -	\$ 1,068,556	\$ 1,068,556	0%	\$ 15,938,542	6.7%

See accompanying notes to required supplementary information.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

The County Office employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the County School Service Fund and Special Education Pass-Through Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

SUPPLEMENTARY INFORMATION

MARIN COUNTY OFFICE OF EDUCATION

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2014

	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Foundation Special Revenue Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
ASSETS					
Cash in County Treasury	\$ 30,100	\$ 1,819,607	\$ 371,834	\$ 240	\$ 2,221,781
Receivables	57,412	-	8,250	-	65,662
Due from other funds	<u>-</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total assets	<u>\$ 87,512</u>	<u>\$ 1,819,607</u>	<u>\$ 380,334</u>	<u>\$ 240</u>	<u>\$ 2,287,693</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,666	\$ -	\$ 2,237	\$ -	\$ 6,903
Due to other funds	82,684	-	-	-	82,684
Unearned revenue	<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162</u>
Total liabilities	87,512	-	2,237	-	89,749
Fund balances - restricted	<u>-</u>	<u>1,819,607</u>	<u>378,097</u>	<u>240</u>	<u>2,197,944</u>
Total liabilities and fund balances	<u>\$ 87,512</u>	<u>\$ 1,819,607</u>	<u>\$ 380,334</u>	<u>\$ 240</u>	<u>\$ 2,287,693</u>

MARIN COUNTY OFFICE OF EDUCATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2014

	<u>Child Development Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Foundation Special Revenue Fund</u>	<u>County School Facility Fund</u>	<u>Total</u>
Revenues:					
Federal sources	\$ 117,771	\$ -	\$ -	\$ -	\$ 117,771
Other local sources	<u>-</u>	<u>82,637</u>	<u>552,192</u>	<u>-</u>	<u>634,829</u>
Total revenues	<u>117,771</u>	<u>82,637</u>	<u>552,192</u>	<u>-</u>	<u>752,600</u>
Expenditures:					
Classified salaries	73,390	-	1,206	-	74,596
Employee benefits	12,437	-	130	-	12,567
Books and supplies	-	-	332	-	332
Contract services and operating expenditures	<u>23,220</u>	<u>-</u>	<u>502,718</u>	<u>-</u>	<u>525,938</u>
Total expenditures	<u>109,047</u>	<u>-</u>	<u>504,386</u>	<u>-</u>	<u>613,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,724</u>	<u>82,637</u>	<u>47,806</u>	<u>-</u>	<u>139,167</u>
Other financing uses:					
Operating transfers out	<u>(8,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,724)</u>
Net change in fund balances	-	82,637	47,806	-	130,443
Fund balances, July 1, 2013	<u>-</u>	<u>1,736,970</u>	<u>330,291</u>	<u>240</u>	<u>2,067,501</u>
Fund balances, June 30, 2014	<u>\$ -</u>	<u>\$ 1,819,607</u>	<u>\$ 378,097</u>	<u>\$ 240</u>	<u>\$ 2,197,944</u>

MARIN COUNTY OFFICE OF EDUCATION

ORGANIZATION

June 30, 2014

Marin County Office of Education was established in 1854 and has responsibility for an area of approximately 520 square miles located in Marin County. There were no changes in the boundaries of the County Office during the current year. The County Office serves thirteen elementary schools Districts, two joint union elementary school districts, two unified school districts, two high school districts, and one community college.

The County Office supervises the activities and financial affairs of each school district to ensure that requirements of the California Education Code are met. It also provides administrative and budgetary assistance, furnishes educational specialists, facilitates the development or improvement of instructional programs, coordinates interdistrict activities, and performs other services, as needed, to improve the quality of education throughout the County.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Clairette C. Wilson	President	December 2015
Curtis F. Robinson, M.D.	Vice President	December 2017
Patricia A. Warren	Member	December 2015
Marilyn L. Nemzer	Member	December 2017
Patricia D. Garbarino	Member	December 2015
David M. Hellman	Member	December 2017

ADMINISTRATION

Mary Jane Burke
County Superintendent of Schools

Terena Mares
Deputy Superintendent, Business

Ken Lippi
Assistant Superintendent, CTE, WCR, M&O

Raquel Rose
Assistant Superintendent, Educational Services

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
<u>Elementary:</u>		
Juvenile Halls, Homes and Camps	1	1
Community Schools Pupils	2	3
Total Elementary	3	4
<u>Secondary:</u>		
Juvenile Halls, Homes and Camps	11	11
Community Schools Pupils	39	37
Total Secondary	50	48
<u>Adult Education:</u>		
Adults in correctional facilities	28	31
<u>Phoenix Academy Charter School:</u>		
Community Schools Pupils - probation referred	6	6
<u>District Funded County Programs:</u>		
County Community Schools		
Seventh - Eighth	1	1
Ninth - Twelfth	17	14
Total Community Schools	18	15
Special Education		
Transition Kindergarten - Third	39	34
Fourth - Sixth	51	49
Seventh - Eighth	41	44
Ninth - Twelfth	101	106
Total Special Education	232	233
Total Office of Education	337	337

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S Department of Education - Passed through California Department of Education</u>			
	NCLB Title I Programs:		
84.010	NCLB: Title I, Part A, Basic Grants Low-Incomed and Neglected	14329	\$ 259,963
84.010	NCLB: Title I, Part D, Subpart 2, Local Delinquent Programs	14357	<u>40,769</u>
	Subtotal NCLB Title I Programs		<u>300,732</u>
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance	13379	705,940
84.173	Special Education: IDEA Preschool Grants	13430	263,887
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B, Section 611	13682	636,040
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13431	2,151
84.027	Special Education: Alternative Dispute Resolution	13007	<u>11,675</u>
	Subtotal Special Education Cluster		<u>1,619,693</u>
	Adult Education Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	6,000
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132	14893	<u>8,361</u>
	Subtotal Adult Education Programs		<u>14,361</u>
	Title III Programs:		
84.365	NCLB: Title III, Immigrant Education Program	15146	11,900
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	14346	<u>30,822</u>
	Subtotal Title III Programs		<u>42,722</u>

(Continued)

MARIN COUNTY OFFICE OF EDUCATION

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2014

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U. S Department of Education - Passed through California</u>			
<u>Department of Education (Continued)</u>			
84.158	Workability II, Transitions Partnership Program	10006	\$ 79,100
84.181	Special Education: IDEA Early Intervention Grants	23761	343,952
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	66,877
84.298	NCLB: Title V, Part A, Innovative Education Strategies	14354	1,196
84.318	NCLB: Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	14334	842
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	<u>2,597</u>
	Total U.S. Department of Education		<u>2,472,072</u>
<u>U.S. Department of Agriculture- Passed through California</u>			
<u>Department of Education</u>			
10.555	Child Nutrition: School Programs	13524	<u>27,162</u>
<u>U.S. Department of Health and Human Services- Passed through</u>			
<u>California Department of Education</u>			
	Child Development Programs:		
93.575	Child Development: Quality Improvement - Child Care Staff Retention Program	14988	64,654
93.575	Child Development: Federal Local Planning Councils	13946	<u>53,117</u>
	Subtotal Child Development Programs		<u>117,771</u>
93.778	Department of Heath Care Services: Medi-Cal Billing Option	10013	<u>35,080</u>
	Total U.S. Department of Health and Human Services		<u>152,851</u>
	Total Federal Programs		<u>\$ 2,652,085</u>

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

There were no adjustments proposed to any funds of the County Office.

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For the Year Ended June 30, 2014

(UNAUDITED)

	(Budgeted) <u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>County School Service Fund</u>				
Revenues and other financing sources	\$ 30,314,854	\$ 31,706,343	\$ 32,032,248	\$ 36,045,833
Expenditures	30,706,019	32,786,300	31,043,915	33,663,568
Other uses and transfers out	<u>16,200</u>	<u>27,162</u>	<u>508,477</u>	<u>27,375</u>
Total outgo	<u>30,722,219</u>	<u>32,813,462</u>	<u>31,552,392</u>	<u>33,690,943</u>
Change in fund balance	<u>\$ (407,365)</u>	<u>\$ (1,107,119)</u>	<u>\$ 479,856</u>	<u>\$ 2,354,890</u>
Ending fund balance	<u>\$ 18,135,020</u>	<u>\$ 18,542,385</u>	<u>\$ 19,649,504</u>	<u>\$ 19,169,648</u>
Available reserves	<u>\$ 3,702,030</u>	<u>\$ 4,124,733</u>	<u>\$ 1,760,933</u>	<u>\$ 11,876,906</u>
Designated for economic uncertainties	<u>\$ 3,686,666</u>	<u>\$ 3,941,214</u>	<u>\$ 1,577,620</u>	<u>\$ 193,179</u>
Undesignated fund balance	<u>\$ 15,364</u>	<u>\$ 183,519</u>	<u>\$ 183,313</u>	<u>\$ 10,183,737</u>
Available reserves as a percentage of total outgo	<u>12.1%</u>	<u>12.6%</u>	<u>5.6%</u>	<u>35.3%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 387,532</u>	<u>\$ 387,532</u>	<u>\$ 426,650</u>	<u>\$ 443,137</u>
Average daily attendance at annual	<u>\$ 323</u>	<u>\$ 337</u>	<u>\$ 343</u>	<u>\$ 377</u>

The County School Service Fund fund balance has increased by \$1,727,627 over the past three years. The fiscal year 2014-15 budget projects a decrease of \$407,365. For a County Office this size, the State of California 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 met this requirement at June 30, 2014.

The County Office has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2014-15 fiscal year.

Total long-term liabilities have decreased by \$55,605 over the past two years.

Average daily attendance has decreased by 40 over the past two years. A decrease of 14 ADA is anticipated during the 2014-15 fiscal year.

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2014

Charter Schools Chartered by County Office

**Included in County Office
Financial Statements, or
Separate Report**

Phoenix Academy Charter

Included in County Office's financial statements in the County School Service Fund.

See accompanying notes to supplementary information.

MARIN COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION

1. PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the County Office. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and county offices. This schedule provides information regarding the attendance of students at various grade levels and in different programs. It also includes attendance for regional occupational centers and programs.

B - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2014.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 7,674,628
Add: Medi-Cal Billing funds spent from prior year awards	93.778	11,505
Less: Special Education funds passed through to districts	84.027	<u>(5,034,048)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 2,652,085</u>

C - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

MARIN COUNTY OFFICE OF EDUCATION

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

1. PURPOSE OF SCHEDULES (Continued)

D - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides information on the County Office's financial condition over the past three years and its anticipated condition for the 2014-2015 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

E - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

2. EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14503 requires certain disclosure in the financial statements of County Offices of Education which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2014, the County Office did not adopt this program.

INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
 Marin County Office of Education
 San Rafael, California

Report on Compliance with State Laws and Regulations

We have audited Marin County Office of Education's compliance with the types of compliance requirements described in the State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2014.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	No, see below
Independent Study	23	Yes
Continuation Education	10	No, see below
Instructional Time	10	No, see below
Instructional Materials general requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	No, see below
Classroom Teacher Salaries	1	No, see below
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Yes
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No, see below
After School Education and Safety Program:		
General requirements	4	No, see below
After school	5	No, see below
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, see below
Charter School Facility Grant Program	1	No, see below

We did not perform any procedures related to Kindergarten Continuation because the County did not have any students retained for the current year.

We did not perform any procedures related to Continuation Education because the County does not offer this program.

The County Office is not a School District; therefore, we did not perform any procedures related to Instructional Time.

We did not perform any procedures related to Ratio of Administrative Employees to Teachers because the procedure is only applicable to school districts.

We did not perform any procedures related to Classroom Teacher Salaries because the procedure is only applicable to school districts.

We did not perform any procedures related to Early Retirement Incentive Program because the County Office did not offer this program in the current year.

We did not perform any procedures related to California Clean Energy Jobs Act because the County Office did not receive any funding in the current year.

We did not perform any procedures related to After School Education and Safety Programs as the County Office did not offer this program.

We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, because the ADA generated by the program was not material.

We did not perform any procedures related to Mode of Instruction for Charter Schools, because the ADA generated by the program was not material.

We did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study, for Charter Schools and Determination of Funding for Nonclassroom-Based Instruction for the Charter School because the Charter School only offered classroom-based instructions.

We did not perform any procedures related to Annual Instructional Minutes - Classroom-Based for Charter Schools, because the ADA generated by the program was not material.

We did not perform any procedures related to Charter School Facility Grant Program, as the Charter School did not participate in the program.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Marin County Office of Education. 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 State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Marin County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Marin County Office of Education's compliance.

Opinion with State Laws and Regulations

In our opinion, Marin County Office of Education complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Marin County Office of Education had not complied with the state laws and regulations.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

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

Board of Education
Marin County Office of Education
San Rafael, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Marin County Office of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Marin County Office of Education's basic financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marin 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 Marin County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Marin County Office of Education's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marin County Office of Education's financial statements are free of 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marin County Office of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marin County Office of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Marin County Office of Education
San Rafael, California

Report on Compliance for Each Major Federal Program

We have audited Marin County Office of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Marin County Office of Education's major federal programs for the year ended June 30, 2014. Marin 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marin 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Marin 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 Marin County Office of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Marin 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, 2014.

Report on Internal Control Over Compliance

Management of Marin 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 Marin 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 OMB Circular A-133, 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 Marin County Office of Education's internal control over compliance.

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

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

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 12, 2014

FINDINGS AND RECOMMENDATIONS

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A 84.181	Special Education Cluster Special Education: IDEA Early Intervention Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

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

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MARIN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

**MARIN COUNTY OFFICE OF EDUCATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Year Ended June 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>County Office Explanation If Not Implemented</u>
No matters were reported.		