

**AMADOR COUNTY  
OFFICE OF EDUCATION**

**FINANCIAL STATEMENTS**  
June 30, 2017

AMADOR COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017  
(Continued)

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AMADOR COUNTY OFFICE OF EDUCATION

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Amador County Office of Education  
Jackson, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Amador County Office of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Amador County Office of Education's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Amador County Office of Education, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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(Continued)

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 8 and the County School Service Fund Budgetary Comparison Schedule, the Child Development Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the County Office's Proportionate Share of the Net Pension Liability, and the Schedule of the County Office's Contributions on pages 39 through 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 Amador County Office of Education's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

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(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of Amador 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 Amador County Office of Education's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

Sacramento, California  
December 12, 2017

**AMADOR COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY COUNTY MANAGEMENT)

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This section of Amador County Office of Education's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Independent Auditor's Report presented on pages 1 through 3, and the County's financial statements, which immediately follow this section.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. The fund financial statements for governmental activities provide information about how County services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the County.

**FINANCIAL HIGHLIGHTS**

The County's overall financial status declined over the course of the year, as total net position decreased by 24%.

On the Statement of Activities, total current year expenses exceeded total current year revenues by \$716,866.

Net capital assets increased \$450,123, due to the current year addition of \$657,389 of new capital assets and improvements, and the current year recognition of \$207,266 of depreciation expense.

Total long-term liabilities increased \$3,194,668, due to the current year increase of the County's proportionate share of net pension liabilities related to its participation in the CalSTRS and CalPERS.

The County Office's average daily attendance (ADA) decreased from 4 ADA in fiscal year 2015-16, to 2 ADA in fiscal year 2016-17, a decrease of 2 ADA (excludes Charter).

During fiscal year 2016-17 the County's General Fund produced an operating deficit of \$11,787.

The County Office maintains sufficient reserves for a County Office its size. During fiscal year 2016-17, General Fund expenditures and other financing uses totaled \$12,870,276. At June 30, 2017, the County had available reserves of \$503,851 which represents a reserve of 4%.

**AMADOR COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY COUNTY MANAGEMENT)

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**THE FINANCIAL REPORT**

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. The three sections together provide a comprehensive overview of the County. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the County's overall financial position.

Individual parts of the County, which are reported as fund financial statements comprise the remaining statements.

Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.

Short and long-term financial information about the activities of the County that operate like businesses are provided in the proprietary fund statements, when applicable.

Financial relationships, for which the County acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the County's budget for the year is included.

**Reporting the County as a Whole**

The County as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The County's financial health or position (net position) can be measured by the difference between the County's deferred outflows of resources, liabilities and deferred inflows of resources.

Increases or decreases in the net position of the County over time are indicators of whether its financial position is improving or deteriorating, respectively.

Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the County need to be considered in assessing the overall health of the County.



**AMADOR COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY COUNTY MANAGEMENT)

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**THE FINANCIAL REPORT (CONCLUDED)**

Reporting the County as a Whole (Concluded)

In the Statement of Net Position and the Statement of Activities, we divide the County into two kinds of activities:

*Governmental Activities:*

The basic services provided by the County, such as regular, adult education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are included here, but are financed by a combination of local cafeteria sales and state and federal program revenues.

*Business-type Activities:*

The County does not provide any services that should be included in this category.

Reporting the County's Most Significant Funds

The County's fund-based financial statements provide detailed information about the County's most significant funds. Some funds are required to be established by State law and bond covenants. However, the County establishes many other funds as needed to control and manage money for specific purposes.

*Governmental Funds:*

The major governmental funds of Amador County Office of Education are the County School Service Fund, Child Development Fund and County School Facilities Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the County's programs.

*Proprietary Funds:*

Services for which the County charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore, no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The County has no funds of this type.

*Fiduciary Funds:*

The County is the trustee, or fiduciary, for its student activity funds and Retiree Benefits Fund. All of the County's fiduciary activities are reported in separate fiduciary statements. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance their operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**AMADOR COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(PREPARED BY COUNTY MANAGEMENT)**

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

GOVERNMENTAL ACTIVITIES

The County's total net position decreased from a deficit of \$2,971,849 at June 30, 2016, to a deficit of \$3,688,715 at June 30, 2017.

The Unrestricted deficit balances that are presented above, are due primarily to the fact that the County is now required to record a liability in the financial statements to reflect the County's proportionate share of the net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

The County's total current year expenses exceeded total current year revenues by \$716,866.

The \$4,008,797 net cost shows the financial burden that was placed on the County's general revenues for providing the services listed above.

For fiscal year 2016-17, program revenues financed 71% of the total cost of providing the services listed above, while the remaining 29% was financed by the general revenues of the County.

Net capital assets increased \$450,123, due to the current year addition of \$657,389 of new capital assets and improvements, and the current year recognition of \$207,266 of depreciation expense.

Total long-term liabilities increased \$3,194,668 due primarily to the current year increase of the County's proportionate share of net pension liabilities related to its participation in the CalSTRS and CalPERS pension plans.

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.

**AMADOR COUNTY OFFICE OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

(PREPARED BY COUNTY MANAGEMENT)

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

The County's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the County revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revise figures and updated 45 days after the State approves its final budget. In addition, the County revises its budget at First and Second Interim to reflect the most current financial information available at that point in time.

**ECONOMIC FACTORS BEARING ON THE COUNTY'S FUTURE**

The employer contribution rates for CalSTRS and CalPERS will continue to increase on an annual basis for the foreseeable future. In addition, the economy has finished its seventh year of expansion, lasting two years longer than the average recovery. The Governor and Department of Finance continue to urge the Legislature and local governments, including local education agencies, to plan for the next recession

Accordingly, the County's budget should continue to be managed with a great degree of conservatism over the next few years. The County has an excellent track record in meeting this challenge in what has proven to be a cycle of lean years and prosperous years for education finances.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the business office, Amador County Office of Education, 217 Rex Avenue, Jackson, California 95642.

## **BASIC FINANCIAL STATEMENTS**

AMADOR COUNTY OFFICE OF EDUCATION  
STATEMENT OF NET POSITION  
June 30, 2017

|                                                                      | <u>Governmental<br/>Activities</u> |
|----------------------------------------------------------------------|------------------------------------|
| <b>ASSETS</b>                                                        |                                    |
| Cash and investments (Note 2)                                        | \$ 1,260,098                       |
| Receivables                                                          | 1,511,317                          |
| Prepaid expenses                                                     | 67,804                             |
| Non-depreciable capital assets (Note 4)                              | 323,857                            |
| Depreciable capital assets, net of accumulated depreciation (Note 4) | <u>2,726,610</u>                   |
| Total assets                                                         | <u>5,889,686</u>                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                |                                    |
| Deferred outflows of resources - pensions (Notes 8 and 9)            | <u>3,255,530</u>                   |
| <b>LIABILITIES</b>                                                   |                                    |
| Accounts payable                                                     | 221,405                            |
| Unearned revenue                                                     | 62,440                             |
| Long-term liabilities:                                               |                                    |
| Due within one year (Note 5)                                         | 96,079                             |
| Due after one year (Note 5)                                          | <u>11,876,007</u>                  |
| Total liabilities                                                    | <u>12,255,931</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                 |                                    |
| Deferred inflows of resources - pensions (Notes 8 and 9)             | <u>578,000</u>                     |
| <b>NET POSITION</b>                                                  |                                    |
| Net investment in capital assets                                     | 2,393,078                          |
| Restricted:                                                          |                                    |
| Legally restricted                                                   | 1,028,750                          |
| Capital projects                                                     | 896,243                            |
| Unrestricted                                                         | <u>(8,006,786)</u>                 |
| Total net position                                                   | <u>\$ (3,688,715)</u>              |

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

AMADOR COUNTY OFFICE OF EDUCATION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

|                                                           |                            | Program Revenues                         |                                        |                            | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|-----------------------------------------------------------|----------------------------|------------------------------------------|----------------------------------------|----------------------------|------------------------------------------------------------|
| Expenses                                                  | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities |                                                            |
| Governmental activities:                                  |                            |                                          |                                        |                            |                                                            |
| Instruction                                               | \$ 7,759,252               | \$ 2,511,867                             | \$ 3,741,026                           | \$ 5,319                   | \$ (1,501,040)                                             |
| Instruction-related services:                             |                            |                                          |                                        |                            |                                                            |
| Supervision of instruction                                | 699,027                    | 295,663                                  | 267,003                                | -                          | (136,361)                                                  |
| Instructional library, media and<br>technology            | 2,977                      | 106                                      | 4                                      | -                          | (2,867)                                                    |
| School site administration                                | 227,509                    | 1,057                                    | 99,704                                 | -                          | (126,748)                                                  |
| Pupil services:                                           |                            |                                          |                                        |                            |                                                            |
| Home to school transportation                             | 790,770                    | 9,047                                    | 7,430                                  | -                          | (774,293)                                                  |
| Food services                                             | 352                        | 385                                      | 14                                     | -                          | 47                                                         |
| All other pupil services                                  | 2,820,647                  | 1,010,589                                | 1,357,889                              | -                          | (452,169)                                                  |
| General administration:                                   |                            |                                          |                                        |                            |                                                            |
| Data processing                                           | 166,834                    | -                                        | -                                      | -                          | (166,834)                                                  |
| All other general administration                          | 650,821                    | 14,037                                   | 50,566                                 | -                          | (586,218)                                                  |
| Plant services                                            | 237,076                    | 17,759                                   | 11,892                                 | -                          | (207,425)                                                  |
| Ancillary services                                        | -                          | -                                        | -                                      | -                          | -                                                          |
| Community services                                        | 461,735                    | 418,966                                  | 67,909                                 | -                          | 25,140                                                     |
| Interest on long-term debt                                | 22,863                     | -                                        | -                                      | -                          | (22,863)                                                   |
| Other outgo                                               | 57,166                     | -                                        | -                                      | -                          | (57,166)                                                   |
|                                                           | <u>\$ 13,897,029</u>       | <u>\$ 4,279,476</u>                      | <u>\$ 5,603,437</u>                    | <u>\$ 5,319</u>            | <u>\$ (4,008,797)</u>                                      |
| Total governmental activities                             |                            |                                          |                                        |                            |                                                            |
| General revenues:                                         |                            |                                          |                                        |                            |                                                            |
| Taxes and subventions:                                    |                            |                                          |                                        |                            |                                                            |
| Taxes levied for general purposes                         |                            |                                          |                                        |                            | 1,124,137                                                  |
| Federal and state aid not restricted to specific purposes |                            |                                          |                                        |                            | 1,652,885                                                  |
| Interest and investment earnings                          |                            |                                          |                                        |                            | 2,236                                                      |
| Miscellaneous                                             |                            |                                          |                                        |                            | 512,673                                                    |
|                                                           |                            |                                          |                                        |                            | <u>3,291,931</u>                                           |
| Total general revenues                                    |                            |                                          |                                        |                            | <u>3,291,931</u>                                           |
| Change in net position                                    |                            |                                          |                                        |                            | (716,866)                                                  |
| Net position, July 1, 2016                                |                            |                                          |                                        |                            | <u>(2,971,849)</u>                                         |
| Net position, June 30, 2017                               |                            |                                          |                                        |                            | <u>\$ (3,688,715)</u>                                      |

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

AMADOR COUNTY OFFICE OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

|                                      | Major Funds                |                        |                               | Non-Major Fund      | Total Governmental Funds |
|--------------------------------------|----------------------------|------------------------|-------------------------------|---------------------|--------------------------|
|                                      | County School Service Fund | Child Development Fund | County School Facilities Fund | Forest Reserve Fund |                          |
| <b>ASSETS</b>                        |                            |                        |                               |                     |                          |
| Cash and investments:                |                            |                        |                               |                     |                          |
| Cash in County Treasury              | \$ 89,267                  | \$ 272,346             | \$ 894,773                    | \$ 2,412            | \$ 1,258,798             |
| Cash in revolving fund               | 1,300                      | -                      | -                             | -                   | 1,300                    |
| Receivables                          | 1,448,657                  | 61,186                 | 1,470                         | 4                   | 1,511,317                |
| Prepaid expenditures                 | 67,804                     | -                      | -                             | -                   | 67,804                   |
| Due from other funds                 | 11,500                     | -                      | -                             | -                   | 11,500                   |
|                                      | <u>11,500</u>              | <u>-</u>               | <u>-</u>                      | <u>-</u>            | <u>11,500</u>            |
| Total assets                         | <u>\$ 1,618,528</u>        | <u>\$ 333,532</u>      | <u>\$ 896,243</u>             | <u>\$ 2,416</u>     | <u>\$ 2,850,719</u>      |
| <b>LIABILITIES AND FUND BALANCES</b> |                            |                        |                               |                     |                          |
| Liabilities:                         |                            |                        |                               |                     |                          |
| Accounts payable                     | \$ 219,343                 | \$ 2,062               | \$ -                          | \$ -                | \$ 221,405               |
| Unearned revenue                     | 50,095                     | 12,345                 | -                             | -                   | 62,440                   |
| Due to other funds                   | -                          | 11,500                 | -                             | -                   | 11,500                   |
|                                      | <u>-</u>                   | <u>11,500</u>          | <u>-</u>                      | <u>-</u>            | <u>11,500</u>            |
| Total liabilities                    | <u>269,438</u>             | <u>25,907</u>          | <u>-</u>                      | <u>-</u>            | <u>295,345</u>           |
| Fund balances:                       |                            |                        |                               |                     |                          |
| Nonspendable                         | 69,104                     | -                      | -                             | -                   | 69,104                   |
| Restricted                           | 718,709                    | 307,625                | 896,243                       | 2,416               | 1,924,993                |
| Unassigned                           | 561,277                    | -                      | -                             | -                   | 561,277                  |
|                                      | <u>561,277</u>             | <u>-</u>               | <u>-</u>                      | <u>-</u>            | <u>561,277</u>           |
| Total fund balances                  | <u>1,349,090</u>           | <u>307,625</u>         | <u>896,243</u>                | <u>2,416</u>        | <u>2,555,374</u>         |
| Total liabilities and fund balances  | <u>\$ 1,618,528</u>        | <u>\$ 333,532</u>      | <u>\$ 896,243</u>             | <u>\$ 2,416</u>     | <u>\$ 2,850,719</u>      |

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

AMADOR COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2017

Total fund balances - Governmental Funds \$ 2,555,374

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 \$4,943,648 and the accumulated depreciation is \$1,893,181 (Note 4). 3,050,467

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, 2017 consisted of (Note 5):

|                                                  |                     |              |
|--------------------------------------------------|---------------------|--------------|
| Capitalized lease obligations                    | \$ (657,389)        |              |
| Compensated absences                             | (40,748)            |              |
| Other postemployment benefits liability (Note 7) | (117,949)           |              |
| Net pension liability (Notes 8 and 9)            | <u>(11,156,000)</u> | (11,972,086) |

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

|                                                     |                  |                  |
|-----------------------------------------------------|------------------|------------------|
| Deferred outflows of resources relating to pensions | \$ 3,255,530     |                  |
| Deferred inflows of resources relating to pensions  | <u>(578,000)</u> | <u>2,677,530</u> |

Total net position - governmental activities \$ (3,688,715)

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



AMADOR COUNTY OFFICE OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017

|                                                           | Major Funds                |                        |                               | Non-Major Fund      | Total Governmental Funds |
|-----------------------------------------------------------|----------------------------|------------------------|-------------------------------|---------------------|--------------------------|
|                                                           | County School Service Fund | Child Development Fund | County School Facilities Fund | Forest Reserve Fund |                          |
| Revenues:                                                 |                            |                        |                               |                     |                          |
| Local Control Funding Formula (LCFF):                     |                            |                        |                               |                     |                          |
| State apportionment                                       | \$ 1,518,630               | \$ -                   | \$ -                          | \$ -                | \$ 1,518,630             |
| Local sources                                             | <u>1,124,136</u>           | <u>-</u>               | <u>-</u>                      | <u>-</u>            | <u>1,124,136</u>         |
| Total LCFF                                                | <u>2,642,766</u>           | <u>-</u>               | <u>-</u>                      | <u>-</u>            | <u>2,642,766</u>         |
| Federal sources                                           | 1,074,167                  | 53,614                 | -                             | 67,254              | 1,195,035                |
| Other state sources                                       | 3,137,002                  | 365,702                | -                             | -                   | 3,502,704                |
| Other local sources                                       | <u>5,304,803</u>           | <u>448,511</u>         | <u>5,319</u>                  | <u>23</u>           | <u>5,758,656</u>         |
| Total revenues                                            | <u>12,158,738</u>          | <u>867,827</u>         | <u>5,319</u>                  | <u>67,277</u>       | <u>13,099,161</u>        |
| Expenditures:                                             |                            |                        |                               |                     |                          |
| Current:                                                  |                            |                        |                               |                     |                          |
| Certificated salaries                                     | 4,746,316                  | 97,148                 | -                             | -                   | 4,843,464                |
| Classified salaries                                       | 2,410,292                  | 437,174                | -                             | -                   | 2,847,466                |
| Employee benefits                                         | 2,518,670                  | 165,811                | -                             | -                   | 2,684,481                |
| Books and supplies                                        | 285,393                    | 35,706                 | -                             | -                   | 321,099                  |
| Contract services and operating expenditures              | 2,229,353                  | 34,222                 | -                             | -                   | 2,263,575                |
| Other outgo                                               | -                          | -                      | -                             | 57,166              | 57,166                   |
| Capital outlay                                            | 657,389                    | -                      | -                             | -                   | 657,389                  |
| Debt service:                                             |                            |                        |                               |                     |                          |
| Interest                                                  | <u>22,863</u>              | <u>-</u>               | <u>-</u>                      | <u>-</u>            | <u>22,863</u>            |
| Total expenditures                                        | <u>12,870,276</u>          | <u>770,061</u>         | <u>-</u>                      | <u>57,166</u>       | <u>13,697,503</u>        |
| (Deficiency) excess of revenues (under) over expenditures | <u>(711,538)</u>           | <u>97,766</u>          | <u>5,319</u>                  | <u>10,111</u>       | <u>(598,342)</u>         |
| Other financing sources (uses):                           |                            |                        |                               |                     |                          |
| Transfers in                                              | 42,362                     | -                      | -                             | -                   | 42,362                   |
| Transfers out                                             | -                          | (32,274)               | -                             | (10,088)            | (42,362)                 |
| Proceeds from capitalized lease obligations               | <u>657,389</u>             | <u>-</u>               | <u>-</u>                      | <u>-</u>            | <u>657,389</u>           |
| Total other financing sources (uses)                      | <u>699,751</u>             | <u>(32,274)</u>        | <u>-</u>                      | <u>(10,088)</u>     | <u>657,389</u>           |
| Net change in fund balances                               | (11,787)                   | 65,492                 | 5,319                         | 23                  | 59,047                   |
| Fund balances, July 1, 2016                               | <u>1,360,877</u>           | <u>242,133</u>         | <u>890,924</u>                | <u>2,393</u>        | <u>2,496,327</u>         |
| Fund balances, June 30, 2017                              | <u>\$ 1,349,090</u>        | <u>\$ 307,625</u>      | <u>\$ 896,243</u>             | <u>\$ 2,416</u>     | <u>\$ 2,555,374</u>      |

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

AMADOR 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, 2017

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|                                                                                                                                                                                                                                                                                                                               |    |                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------------------------|
| Net change in fund balances - Total Governmental Funds                                                                                                                                                                                                                                                                        | \$ | 59,047                  |
| 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).                                                                                                                                                                            |    | 657,389                 |
| Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).                                                                                                                                                                                                                         |    | (207,266)               |
| In governmental funds, proceeds from disposal of capital assets are reported as revenue. In the statement of activities only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is (Note 4):                                          |    | (9,893)                 |
| In governmental funds, proceeds from debt are recognized as other financing sources but increases to long-term liabilities in the statement of net position (Note 5):                                                                                                                                                         |    | (657,389)               |
| In governmental funds, compensated absences and early retirement incentives are measured by the amounts paid during the period. In the statements of activities, compensated absences and early retirement incentives are measure by the amounts earned. The difference between amounts paid and amounts earned was (Note 5): |    | 29,404                  |
| In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs accrued and employer contributions was (Notes 5 and 7):                                                   |    | (22,546)                |
| In government funds, pensions costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was :                                             |    | <u>(565,612)</u>        |
| Change in net position of governmental activities                                                                                                                                                                                                                                                                             | \$ | <u><u>(716,866)</u></u> |

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

AMADOR COUNTY OFFICE OF EDUCATION  
STATEMENT OF NET POSITION -  
FIDUCIARY FUNDS  
June 30, 2017

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|                             | <u>Trust Fund</u><br><u>Scholarship</u><br><u>Trust</u><br><u>Fund</u> |
|-----------------------------|------------------------------------------------------------------------|
| <b>ASSETS</b>               |                                                                        |
| Current:                    |                                                                        |
| Cash in county treasury     | \$ 50,713                                                              |
| Receivables                 | <u>86</u>                                                              |
| Total assets                | <u>\$ 50,799</u>                                                       |
| <b>NET POSITION</b>         |                                                                        |
| Restricted for scholarships | <u>\$ 50,799</u>                                                       |

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

AMADOR COUNTY OFFICE OF EDUCATION  
STATEMENT OF CHANGES IN NET POSITION -  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2017

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|                                              | Trust<br>Fund<br>Scholarship<br>Funds |
|----------------------------------------------|---------------------------------------|
| Revenues:                                    |                                       |
| Interest                                     | \$ <u>313</u>                         |
| Expenditures:                                |                                       |
| Contract services and operating expenditures | <u>2,700</u>                          |
| Change in net position                       | (2,387)                               |
| Net position, July 1, 2016                   | <u>53,186</u>                         |
| Net position, June 30, 2017                  | <u><u>\$ 50,799</u></u>               |

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

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

Amador 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 County Superintendent of Schools and Board of Trustees have governance responsibilities over the activities related to public school education conducted by the County Office, and are not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The County Office receives funding from local, state and federal governmental sources and must comply with all the requirements of these funding source entities.

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. Fiduciary funds are reported only in the Statement of Fiduciary Net Position and Statement of Change in Fiduciary Net Position 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.

**NOTE 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 equity, revenues, and expenditures or expenses, as appropriate. 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:

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 the capital improvement expenditures that are not paid through other funds are paid from the County School Service Fund.

Child Development Fund:

The Child Development Fund is a special revenue fund used to account separately for Federal, state and local revenues to operate child development programs. All moneys received by the County Office for, or from the operation of, child development services covered under the Child Care and Development Services Act (Education Code Sections 8200 et seq.) are deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs.

County School Facilities Fund:

The County School Facilities Fund is a capital project fund used to account for revenue received from state allocations for construction projects and the expenditures made for those projects (Education Code Sections 17009.5 and 17070.10-17076.10).

B - Other Funds:

The Forest Reserve Fund is a special revenue fund used to account for revenue collected and paid by the Federal Government as a result of timber cutting within the boundaries of Amador County.

The Trust Fund is used to account for assets held by the County Office as trustee. The County Office maintains the Scholarship Fund to accumulate resources to provide higher learning scholarships to students.

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

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 when 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 Trustees 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 and Categorical programs. The County Office has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

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 acquisition value for the contributed asset. 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 2 - 50 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes 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 has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

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 has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and the Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following is a summary of pension amounts in aggregate:

|                                | <u>STRP</u>         | <u>PERF B</u>       | <u>Total</u>         |
|--------------------------------|---------------------|---------------------|----------------------|
| Deferred outflows of resources | <u>\$ 2,000,135</u> | <u>\$ 1,255,395</u> | <u>\$ 3,255,530</u>  |
| Deferred inflows of resources  | <u>\$ 178,000</u>   | <u>\$ 400,000</u>   | <u>\$ 578,000</u>    |
| Net pension liability          | <u>\$ 7,284,000</u> | <u>\$ 3,872,000</u> | <u>\$ 11,156,000</u> |
| Pension expense                | <u>\$ 1,458,000</u> | <u>\$ 614,571</u>   | <u>\$ 2,072,571</u>  |

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 at cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Compensated Absences: Compensated absences benefits totaling \$40,748 are recorded as a liability of the County Office. The liability is for 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.

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(Continued)



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. 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 programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for scholarships represents the portion of net position restricted for scholarships. It is the County Office's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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 and prepaid expenditures.

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 statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Superintendent of Schools. 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 Superintendent of Schools is required to remove any commitment from any fund balance. At June 30, 2017, the County Office had no committed fund balances.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D - Assigned Fund Balance:**

The assigned fund balance classification reflects amounts that the Superintendent of Schools has approved to be used for specific purposes, based on the County Office's intent related to those specific purposes. The Superintendent of Schools has designated the Associate Superintendent of Business Services to make ending 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 Trustees. The County Office has not established a minimum fund balance policy as of June 30, 2017.

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 Amador 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.

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 and 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.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2 - CASH AND INVESTMENTS**

Cash at June 30, 2017 consisted of the following:

|                         | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Activities</u> |
|-------------------------|------------------------------------|---------------------------------|
| Pooled funds:           |                                    |                                 |
| Cash in County Treasury | \$ 1,258,798                       | \$ 50,713                       |
| Deposits:               |                                    |                                 |
| Revolving cash fund     | 1,300                              | -                               |
| Total                   | \$ 1,260,098                       | \$ 50,713                       |

Pooled Funds: In accordance with Education Code Section 41001, the County Office maintains substantially all of its cash in the interest bearing Amador County Treasurer's Pooled Investment Fund. The County Office is considered to be an involuntary participant in an external investment pool. The fair value of the County Office's investment in the pool is reported in the financial statements at amounts based upon the County Office's prorata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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, 2017, the carrying amount of the County Office's accounts was \$1,300 and the bank balance was \$1,300, all of which was insured.

Interest Rate Risk: The County Office has 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, 2017, the County Office had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk: The County Office does not place limits on the amount it may invest in any one issuer. At June 30, 2017, the County Office had no concentration of credit risk.

**NOTE 3 - INTERFUND ACTIVITIES**

Interfund Activity: Transactions between funds of the County Office are recorded as transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2017 were as follows:

| <u>Funds</u>               | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|----------------------------|---------------------------------|------------------------------|
| County School Service Fund | \$ 11,500                       | \$ -                         |
| Child Development Fund     | -                               | 11,500                       |
| Total                      | \$ 11,500                       | \$ 11,500                    |

(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 3 - INTERFUND ACTIVITIES** (Continued)

Transfers: Transfers consists of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Transfers for the 2016-17 fiscal year were as follows:

|                                                                                                |                         |
|------------------------------------------------------------------------------------------------|-------------------------|
| Transfer from the Child Development Fund to the County School Service Fund for indirect costs. | \$ 32,274               |
| Transfer from the Forest Reserve Fund to the County School Service Fund for indirect costs.    | <u>10,088</u>           |
|                                                                                                | <u><u>\$ 42,362</u></u> |

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

|                                | Balance<br>July 1,<br><u>2016</u> | Transfers<br>and<br><u>Additions</u> | Transfers<br>and<br><u>Deletions</u> | Balance<br>June 30,<br><u>2017</u> |
|--------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| Non-depreciable:               |                                   |                                      |                                      |                                    |
| Work-in-progress               | \$ 323,857                        | \$ -                                 | \$ -                                 | \$ 323,857                         |
| Depreciable:                   |                                   |                                      |                                      |                                    |
| Improvement of sites           | 71,608                            | -                                    | -                                    | 71,608                             |
| Buildings                      | 3,051,961                         | -                                    | -                                    | 3,051,961                          |
| Furniture and equipment        | <u>1,372,941</u>                  | <u>657,389</u>                       | <u>534,108</u>                       | <u>1,496,222</u>                   |
| Totals, at cost                | <u>4,820,367</u>                  | <u>657,389</u>                       | <u>534,108</u>                       | <u>4,943,648</u>                   |
| Less accumulated depreciation: |                                   |                                      |                                      |                                    |
| Improvement of sites           | (25,276)                          | (3,309)                              | -                                    | (28,585)                           |
| Buildings                      | (1,040,973)                       | (66,708)                             | -                                    | (1,107,681)                        |
| Furniture and equipment        | <u>(1,143,881)</u>                | <u>(137,249)</u>                     | <u>(524,215)</u>                     | <u>(756,915)</u>                   |
| Total accumulated depreciation | <u>(2,210,130)</u>                | <u>(207,266)</u>                     | <u>(524,215)</u>                     | <u>(1,893,181)</u>                 |
| Capital assets, net            | <u><u>\$ 2,610,237</u></u>        | <u><u>\$ 450,123</u></u>             | <u><u>\$ 9,893</u></u>               | <u><u>\$ 3,050,467</u></u>         |

(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 4 - CAPITAL ASSETS** (Continued)

Depreciation expense was charged to governmental activities as follows:

|                                              |    |                |
|----------------------------------------------|----|----------------|
| Instruction                                  | \$ | 83,179         |
| Supervision of Instruction                   |    | 7,143          |
| Instructional Library, Media, and Technology |    | 29             |
| School Site Administration                   |    | 3,017          |
| Home-to-School Transportation                |    | 8,137          |
| All Other Pupil Services                     |    | 94,388         |
| Data Processing Services                     |    | 1,885          |
| All Other General Administration             |    | 6,720          |
| Plant Services                               |    | <u>2,768</u>   |
| Total                                        | \$ | <u>207,266</u> |

**NOTE 5 - LONG-TERM LIABILITIES**

Capitalized Lease Obligations: The District is leasing equipment under long-term lease purchase agreements with capitalized value of \$657,389 and accumulated depreciation of zero. The following is a summary of future payments on the capital leases:

| Year Ending<br><u>June 30,</u>        | <u>Principal</u>  |
|---------------------------------------|-------------------|
| 2018                                  | \$ 78,175         |
| 2019                                  | 78,175            |
| 2020                                  | 78,175            |
| 2021                                  | 78,175            |
| 2022                                  | 78,175            |
| 2023-2024                             | <u>390,875</u>    |
| Total payments                        | 703,575           |
| Less amount representing interest     | <u>(46,186)</u>   |
| Net present value of minimum payments | <u>\$ 657,389</u> |

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2017, is shown below:

|                                                  | Balance<br><u>July 1, 2016</u> | <u>Additions</u>    | <u>Deductions</u> | Balance<br><u>June 30, 2017</u> | Amounts<br>Due Within<br><u>One Year</u> |
|--------------------------------------------------|--------------------------------|---------------------|-------------------|---------------------------------|------------------------------------------|
| Capitalized lease obligations                    | \$ -                           | \$ 657,389          | \$ -              | \$ 657,389                      | \$ 55,331                                |
| Compensated absences                             | 35,252                         | 5,496               | -                 | 40,748                          | 40,748                                   |
| Early retirement incentives                      | 34,900                         | -                   | 34,900            | -                               | -                                        |
| Other postemployment benefits liability (Note 7) | 95,403                         | 36,352              | 13,806            | 117,949                         | -                                        |
| Net Pension liability (Notes 8 and 9)            | <u>8,611,863</u>               | <u>2,544,137</u>    | <u>-</u>          | <u>11,156,000</u>               | <u>-</u>                                 |
| Totals                                           | <u>\$ 8,777,418</u>            | <u>\$ 3,243,374</u> | <u>\$ 48,706</u>  | <u>\$ 11,972,086</u>            | <u>\$ 96,079</u>                         |

Payments for capitalized lease obligations are made from the County School Service Fund. Payments for other postemployment benefits and compensated absences are made from the fund for which the related employee worked.

(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2017 consisted of the following:

|                                          | County<br>School<br>Service<br>Fund | Child<br>Development<br>Fund | County<br>School<br>Facilities<br>Fund | Forest<br>Reserve<br>Fund | Totals              |
|------------------------------------------|-------------------------------------|------------------------------|----------------------------------------|---------------------------|---------------------|
| Nonspendable:                            |                                     |                              |                                        |                           |                     |
| Revolving cash fund                      | \$ 1,300                            | \$ -                         | \$ -                                   | \$ -                      | \$ 1,300            |
| Prepaid expenditures                     | <u>67,804</u>                       | <u>-</u>                     | <u>-</u>                               | <u>-</u>                  | <u>67,804</u>       |
| Subtotal nonspendable                    | <u>69,104</u>                       | <u>-</u>                     | <u>-</u>                               | <u>-</u>                  | <u>69,104</u>       |
| Restricted:                              |                                     |                              |                                        |                           |                     |
| Legally restricted programs              | 718,709                             | 307,625                      | -                                      | 2,416                     | 1,028,750           |
| Capital projects                         | <u>-</u>                            | <u>-</u>                     | <u>896,243</u>                         | <u>-</u>                  | <u>896,243</u>      |
| Subtotal restricted                      | <u>718,709</u>                      | <u>307,625</u>               | <u>896,243</u>                         | <u>2,416</u>              | <u>1,924,993</u>    |
| Unassigned:                              |                                     |                              |                                        |                           |                     |
| Designated for economic<br>uncertainties | 503,851                             | -                            | -                                      | -                         | 503,851             |
| Undesignated                             | <u>57,426</u>                       | <u>-</u>                     | <u>-</u>                               | <u>-</u>                  | <u>57,426</u>       |
| Subtotal unassigned                      | <u>561,277</u>                      | <u>-</u>                     | <u>-</u>                               | <u>-</u>                  | <u>561,277</u>      |
| Total fund balances                      | <u>\$ 1,349,090</u>                 | <u>\$ 307,625</u>            | <u>\$ 896,243</u>                      | <u>\$ 2,416</u>           | <u>\$ 2,555,374</u> |

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description: The County Office provides medical coverage to employees who retire from active status with a specified minimum age and years of service, and who are also eligible for pension benefits from CalSTRS.

The benefits provided to eligible retirees are as follows:

|                              |                     |
|------------------------------|---------------------|
|                              | <u>Certificated</u> |
| Benefit Types Provide        | Medical Only        |
| Duration of Benefits         | To age 65           |
| Required Service             | 10 years            |
| Minimum age                  | 55                  |
| Dependent Coverage           | Yes                 |
| County Office Contribution % | 100%                |
| County Office Cap            | \$3,300 per year    |

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

The County Office had 13 active employees and 10 retired employees covered under the OPEB plan as of June 30, 2017.

(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

Funding Policy: The County Office currently pays for post employment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation: 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 Cod. Sec. P50.108-.109. 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            | \$ | 52,686   |
| Interest on net OPEB obligation         |    | 4,293    |
| Adjustment to a required contribution   |    | (20,627) |
| Annual OPEB cost (expense)              |    | 36,352   |
| Contributions made                      |    | (13,806) |
| Increase in net OPEB obligation         |    | 22,546   |
| Net OPEB obligation - beginning of year |    | 95,403   |
| Net OPEB obligation - end of year       | \$ | 117,949  |

The County Office's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years are presented in the following table:

| <u>Fiscal Year<br/>Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage<br/>of Annual<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|------------------------------|-----------------------------|---------------------------------------------------------------|--------------------------------|
| June 30, 2015                | \$ 52,686                   | 62.8%                                                         | \$ 79,730                      |
| June 30, 2016                | \$ 46,198                   | 66.1%                                                         | \$ 95,403                      |
| June 30, 2017                | \$ 36,352                   | 37.9%                                                         | \$ 117,949                     |

Funded Status and Funding Progress: As of January 1, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$183,899, all of which is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3.20 million, and the ratio of the UAAL to the covered payroll was 5.8 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

(Continued)

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

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, presented as required supplementary information following the notes to the financial statements, 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.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Examples include mortality, turnover, disability, retirement and other factors that affect the number of people eligible to receive future retiree benefits.

Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, actuarial valuation, the liabilities were computed using the entry age normal method and the County Office's unfunded actuarial accrued liability (UAAL) is being amortized using the level dollar method over a 10 year amortization period.

The actuarial assumptions utilized a 4.5% discount rate, the expected long-term rate of return on County Office assets. The compensation increase rate of 2.75% was provided by the County Office and based on historical data. The valuation assumes a 4% health care cost trend rate based on the actuary's long-term assumption that the average increase over time cannot continue to outstrip general inflation by a wide margin.

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(Continued)



**NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN**

*General Information about the State Teachers' Retirement Plan*

Plan Description: Teaching-certified employees of the County Office are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

*CalSTRS 2% at 60*

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.

CalSTRS calculates retirement benefits based on one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of service, or for classroom teachers with less than 25 years of credited service if the employer entered into, extended, renewed, or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive months of credited service.

*CalSTRS 2% at 62*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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**NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

**Contributions:** Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2016-17. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2016-17

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

*Employers* – 12.58 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2016-17 through fiscal year 2045-46 are summarized in the table below:

| <u>Effective Date</u> | <u>Prior Rate</u> | <u>Increase</u>                            | <u>Total</u> |
|-----------------------|-------------------|--------------------------------------------|--------------|
| July 01, 2016         | 8.25%             | 4.33%                                      | 12.58%       |
| July 01, 2017         | 8.25%             | 6.18%                                      | 14.43%       |
| July 01, 2018         | 8.25%             | 8.03%                                      | 16.28%       |
| July 01, 2019         | 8.25%             | 9.88%                                      | 18.13%       |
| July 01, 2020         | 8.25%             | 10.85%                                     | 19.10%       |
| July 01, 2046         | 8.25%             | Increase from prior rate ceases in 2046-47 |              |

The County Office contributed \$578,135 to the plan for the fiscal year ended June 30, 2017.

(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)**

*State* - 8.828 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2016-17 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 4.811 percent on July 1, 2017, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

| <u>Effective Date</u>          | <u>Base Rate</u> | <u>AB 1469 Increase For 1990 Benefit Structure</u> | <u>SBMA Funding(1)</u> | <u>Total State Appropriation to DB Program</u> |
|--------------------------------|------------------|----------------------------------------------------|------------------------|------------------------------------------------|
| July 01, 2016                  | 2.017%           | 4.311%                                             | 2.50%                  | 8.828%                                         |
| July 01, 2017                  | 2.017%           | 4.811%(2)                                          | 2.50%                  | 9.328%                                         |
| July 01, 2018 to June 30, 2046 | 2.017%           | (3)                                                | 2.50%                  | (3)                                            |
| July 1 2046 and thereafter     | 2.017%           | (3)                                                | 2.50%                  | 4.517%(3)                                      |

(1)This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.  
 (2)During it April 2017 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.  
 (3)The CalSTRS board has limited authority to adjust state contribution rates from July 1, 2017, through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2017, the County Office reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office. The amount recognized by the County Office as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County Office were as follows:

|                                                                                            |                             |
|--------------------------------------------------------------------------------------------|-----------------------------|
| County Office’s proportionate share of the net pension liability                           | \$ 7,284,000                |
| State’s proportionate share of the net pension liability associated with the County Office | <u>4,147,000</u>            |
| Total                                                                                      | <u><u>\$ 11,431,000</u></u> |

(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2016, the District's proportion was 0.009 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County Office recognized pension expense of \$1,458,000 and revenue of \$322,714 for support provided by the State. At June 30, 2017, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                    | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience                                                                  | \$ -                                      | \$ 178,000                               |
| Changes of assumptions                                                                                             | -                                         | -                                        |
| Net differences between projected and actual earnings on investments                                               | 579,000                                   | -                                        |
| Changes in proportion and differences between County Office contributions and proportionate share of contributions | 843,000                                   | -                                        |
| Contributions made subsequent to measurement date                                                                  | <u>578,135</u>                            | <u>-</u>                                 |
| Total                                                                                                              | <u>\$ 2,000,135</u>                       | <u>\$ 178,000</u>                        |

\$578,135 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended<br><u>June 30,</u> |            |
|--------------------------------|------------|
| 2018                           | \$ 148,670 |
| 2019                           | \$ 148,670 |
| 2020                           | \$ 415,012 |
| 2021                           | \$ 334,117 |
| 2022                           | \$ 116,867 |
| 2023                           | \$ 80,664  |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)**

**Actuarial Methods and Assumptions:** The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

|                                   |                                                   |
|-----------------------------------|---------------------------------------------------|
| Valuation Date                    | June 30, 2015                                     |
| Experience Study                  | July 1, 2006 through June 30, 2010                |
| Actuarial Cost Method             | Entry age normal                                  |
| Investment Rate of Return         | 7.60%                                             |
| Consumer Price Inflation          | 3.00%                                             |
| Wage Growth                       | 3.75%                                             |
| Post-retirement Benefit Increases | 2.00% simple for DB<br>Not applicable for DBS/CBB |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 2012 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

\* 20-year geometric average

(Continued)

**NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)**

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County Office’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County Office’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the County Office’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

|                                                                     | 1%<br>Decrease<br>(6.60%) | Current<br>Discount<br>Rate (7.60%) | 1%<br>Increase<br>(8.60%) |
|---------------------------------------------------------------------|---------------------------|-------------------------------------|---------------------------|
| County Office’s proportionate share of<br>the net pension liability | <u>\$ 10,484,000</u>      | <u>\$ 7,284,000</u>                 | <u>\$ 4,627,000</u>       |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

**NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B**

*General Information about the Public Employer’s Retirement Fund B*

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college County Offices, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2016.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

**Contributions:** The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2017 were as follows:

*Members* - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2016-17.

*Employers* - The employer contribution rate was 13.888 percent of applicable member earnings.

The County Office contributed \$364,395 to the plan for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the County Office reported a liability of \$3,872,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The County Office’s proportion of the net pension liability was based on the County Office’s share of contributions to the pension plan relative to the contributions of all participating school districts and County Offices. At June 30, 2016, the County Office’s proportion was 0.020 percent, which was an decrease of 0.002 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County Office recognized pension expense of \$614,571. At June 30, 2017, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                    | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience                                                                  | \$ 167,000                                | \$ -                                     |
| Changes of assumptions                                                                                             | -                                         | 116,000                                  |
| Net differences between projected and actual earnings on investments                                               | 601,000                                   | -                                        |
| Changes in proportion and differences between County Office contributions and proportionate share of contributions | 123,000                                   | 284,000                                  |
| Contributions made subsequent to measurement date                                                                  | <u>364,395</u>                            | <u>-</u>                                 |
| Total                                                                                                              | <u>\$ 1,255,395</u>                       | <u>\$ 400,000</u>                        |

(Continued)



AMADOR COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

\$364,395 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ended<br>June 30, |            |
|-------------------------|------------|
| 2018                    | \$ 62,641  |
| 2019                    | \$ 62,641  |
| 2020                    | \$ 208,968 |
| 2021                    | \$ 156,750 |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2016 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

|                                   |                                                                                                                          |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Valuation Date                    | June 30, 2015                                                                                                            |
| Experience Study                  | June 30, 1997 through June 30, 2011                                                                                      |
| Actuarial Cost Method             | Entry age normal                                                                                                         |
| Investment Rate of Return         | 7.65%                                                                                                                    |
| Consumer Price Inflation          | 2.75%                                                                                                                    |
| Wage Growth                       | Varies by entry age and service                                                                                          |
| Post-retirement Benefit Increases | Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter |

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

(Continued)



AMADOR COUNTY OFFICE OF EDUCATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

| <u>Asset Class</u>          | <u>Long-Term*<br/>Assumed Asset<br/>Allocation</u> | <u>Expected Real<br/>Rate of Return</u> |
|-----------------------------|----------------------------------------------------|-----------------------------------------|
| Global Equity               | 51%                                                | 5.25%                                   |
| Global Fixed Income         | 20                                                 | 0.99                                    |
| Inflation Sensitive         | 6                                                  | 0.45                                    |
| Private Equity              | 10                                                 | 6.83                                    |
| Real Estate                 | 10                                                 | 4.50                                    |
| Infrastructure & Forestland | 2                                                  | 4.50                                    |
| Liquidity                   | 1                                                  | (0.55)                                  |

\* 10-year geometric average

Sensitivity of the County Office’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County Office’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the County Office’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

|                                                                     | 1%<br>Decrease<br><u>(6.65%)</u> | Current<br>Discount<br>Rate <u>(7.65%)</u> | 1%<br>Increase<br><u>(8.65%)</u> |
|---------------------------------------------------------------------|----------------------------------|--------------------------------------------|----------------------------------|
| County Office’s proportionate share<br>of the net pension liability | <u>\$ 5,778,000</u>              | <u>\$ 3,872,000</u>                        | <u>\$ 2,286,000</u>              |

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 10 - RELATED PARTY TRANSACTIONS**

The County Office is economically dependent on Amador County Unified School District and the financial statements may not necessarily be indicative of the conditions or results of operations which would have existed had the County Office been operated as an unaffiliated entity.

Amador County Unified School District ("District") and Amador County County Office are housed in the same building and the District absorbs the majority of the expenditures related to accounting, management support, comprehensive insurance, office space and other miscellaneous internal services. The valuation of such services and facilities has not been allocated to the County Office by the District.

**NOTE 11 - CONTINGENCIES**

The District is subject to legal proceedings and claims which arise in 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 statements or results of operations of the District.

The County Office has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowance's under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the County Offices financial statements or results of operations.

**NOTE 12 - JOINT POWERS AGREEMENTS**

The County Office participates in two joint ventures under joint powers agreements (JPAs); the Tuolumne Joint Powers Authority (TJPA) for Property & Liability Insurance, and Workers' Compensation Insurance, and the Central Valley Schools Health and Welfare Trust (CVSHWT) for Medical, Dental and Vision Insurance for certificated and classified employees. The relationships between the County Office and the JPAs are such that the JPAs are not component units of the County Office for financial reporting purposes.

The JPAs arrange for and/or provide coverage for their members. Each JPA is governed by a board consisting of a representative from each of their member districts or county offices. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by any members beyond their representation on the Board. Each member district and county office pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage in the prior year.

The following is a summary of financial information for TJPA at June 30, 2017 and CVSHWT at September 30, 2016 (the latest information available):

|                   | <u>TJPA</u>   | <u>CVSHWT</u>  |
|-------------------|---------------|----------------|
| Total assets      | \$ 11,609,175 | \$ 133,577,786 |
| Total liabilities | \$ 5,412,473  | \$ 23,882,727  |
| Net position      | \$ 6,196,702  | \$ 109,695,059 |
| Total revenues    | \$ 4,350,455  | \$ 729,417,375 |
| Total expenses    | \$ 3,865,225  | \$ 732,758,980 |

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**REQUIRED SUPPLEMENTARY INFORMATION**

AMADOR COUNTY OFFICE OF EDUCATION  
COUNTY SCHOOL SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2017

|                                              | <u>Budget</u>       |                     | <u>Actual</u>       | Variance<br>Favorable<br><u>(Unfavorable)</u> |
|----------------------------------------------|---------------------|---------------------|---------------------|-----------------------------------------------|
|                                              | <u>Original</u>     | <u>Final</u>        |                     |                                               |
| Revenues:                                    |                     |                     |                     |                                               |
| Local Control Funding Formula:               |                     |                     |                     |                                               |
| State apportionment                          | \$ 1,653,212        | \$ 2,447,977        | \$ 1,518,630        | \$ (929,347)                                  |
| Local sources                                | <u>1,010,102</u>    | <u>1,124,137</u>    | <u>1,124,136</u>    | <u>(1)</u>                                    |
| Total LCFF                                   | <u>2,663,314</u>    | <u>3,572,114</u>    | <u>2,642,766</u>    | <u>(929,348)</u>                              |
| Federal sources                              | 948,032             | 195,432             | 1,074,167           | 878,735                                       |
| Other state sources                          | 2,958,384           | 3,337,103           | 3,137,002           | (200,101)                                     |
| Other local sources                          | <u>4,596,880</u>    | <u>5,426,451</u>    | <u>5,304,803</u>    | <u>(121,648)</u>                              |
| Total revenues                               | <u>11,166,610</u>   | <u>12,531,100</u>   | <u>12,158,738</u>   | <u>(372,362)</u>                              |
| Expenditures:                                |                     |                     |                     |                                               |
| Current:                                     |                     |                     |                     |                                               |
| Certificated salaries                        | 4,998,774           | 5,105,282           | 4,746,316           | 358,966                                       |
| Classified salaries                          | 2,309,925           | 2,289,609           | 2,410,292           | (120,683)                                     |
| Employee benefits                            | 2,202,189           | 2,509,827           | 2,518,670           | (8,843)                                       |
| Books and supplies                           | 336,008             | 509,352             | 285,393             | 223,959                                       |
| Contract services and operating expenditures | 1,332,309           | 1,664,796           | 2,229,353           | (564,557)                                     |
| Capital outlay                               | -                   | 657,389             | 657,389             | -                                             |
| Debt Service:                                |                     |                     |                     |                                               |
| Interest                                     | <u>-</u>            | <u>-</u>            | <u>22,863</u>       | <u>(22,863)</u>                               |
| Total expenditures                           | <u>11,179,205</u>   | <u>12,736,255</u>   | <u>12,870,276</u>   | <u>(134,021)</u>                              |
| Deficiency of revenues under expenditures    | <u>(12,595)</u>     | <u>(205,155)</u>    | <u>(711,538)</u>    | <u>(506,383)</u>                              |
| Other financing sources:                     |                     |                     |                     |                                               |
| Transfers in                                 | 26,730              | 18,898              | 42,362              | 23,464                                        |
| Proceeds from capitalized lease obligations  | <u>-</u>            | <u>-</u>            | <u>657,389</u>      | <u>657,389</u>                                |
| Total other financing sources                | <u>26,730</u>       | <u>18,898</u>       | <u>699,751</u>      | <u>680,853</u>                                |
| Net change in fund balance                   | 14,135              | (186,257)           | (11,787)            | 174,470                                       |
| Fund balance, July 1, 2016                   | <u>1,360,877</u>    | <u>1,360,877</u>    | <u>1,360,877</u>    | <u>-</u>                                      |
| Fund balance, June 30, 2017                  | <u>\$ 1,375,012</u> | <u>\$ 1,174,620</u> | <u>\$ 1,349,090</u> | <u>\$ 174,470</u>                             |

See note to required supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
CHILD DEVELOPMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2017

|                                                           | <u>Budget</u>     |                  | <u>Actual</u>     | Variance<br>Favorable<br>(Unfavorable) |
|-----------------------------------------------------------|-------------------|------------------|-------------------|----------------------------------------|
|                                                           | <u>Original</u>   | <u>Final</u>     |                   |                                        |
| <b>Revenues:</b>                                          |                   |                  |                   |                                        |
| Federal sources                                           | \$ 69,290         | \$ 69,290        | \$ 53,614         | \$ (15,676)                            |
| Other state sources                                       | 338,660           | 368,647          | 365,702           | (2,945)                                |
| Other local sources                                       | <u>364,426</u>    | <u>448,430</u>   | <u>448,511</u>    | <u>81</u>                              |
| Total revenues                                            | <u>772,376</u>    | <u>886,367</u>   | <u>867,827</u>    | <u>(18,540)</u>                        |
| <b>Expenditures:</b>                                      |                   |                  |                   |                                        |
| Current:                                                  |                   |                  |                   |                                        |
| Certificated salaries                                     | 96,972            | 97,105           | 97,148            | (43)                                   |
| Classified salaries                                       | 452,156           | 497,576          | 437,174           | 60,402                                 |
| Employee benefits                                         | 130,614           | 177,519          | 165,811           | 11,708                                 |
| Books and supplies                                        | 31,645            | 163,749          | 35,706            | 128,043                                |
| Contract services and operating expenditures              | <u>34,259</u>     | <u>58,321</u>    | <u>34,222</u>     | <u>24,099</u>                          |
| Total expenditures                                        | <u>745,646</u>    | <u>994,270</u>   | <u>770,061</u>    | <u>224,209</u>                         |
| Excess (deficiency) of revenues over (under) expenditures | <u>26,730</u>     | <u>(107,903)</u> | <u>97,766</u>     | <u>205,669</u>                         |
| <b>Other financing uses:</b>                              |                   |                  |                   |                                        |
| Transfers out                                             | <u>(26,730)</u>   | <u>(34,698)</u>  | <u>(32,274)</u>   | <u>2,424</u>                           |
| Net change in fund balance                                | -                 | (142,601)        | 65,492            | 208,093                                |
| Fund balance, July 1, 2016                                | <u>242,133</u>    | <u>242,133</u>   | <u>242,133</u>    | <u>-</u>                               |
| Fund balance, June 30, 2017                               | <u>\$ 242,133</u> | <u>\$ 99,532</u> | <u>\$ 307,625</u> | <u>\$ 208,093</u>                      |

See note to required supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 For the Year Ended June 30, 2017

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| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Schedule of Funding Progress               |                                                         |                 | UAAL as a<br>Percentage<br>of<br>Covered<br>Payroll |                    |
|--------------------------------|---------------------------------|--------------------------------------------|---------------------------------------------------------|-----------------|-----------------------------------------------------|--------------------|
|                                |                                 | Actuarial<br>Accrued<br>Liability<br>(AAL) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll                                  | Covered<br>Payroll |
| January 1, 2009                | \$ -                            | \$226,473                                  | \$226,473                                               | 0%              | \$2.57 million                                      | 8.8%               |
| January 1, 2012                | \$ -                            | \$212,064                                  | \$212,064                                               | 0%              | \$1.85 million                                      | 11.5%              |
| January 1, 2015                | \$ -                            | \$183,899                                  | \$183,899                                               | 0%              | \$3.20 million                                      | 5.8%               |

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See note to required supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2017

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

|                                                                                                         | <u>2015</u>         | <u>2016</u>         | <u>2017</u>          |
|---------------------------------------------------------------------------------------------------------|---------------------|---------------------|----------------------|
| County Office's proportion of the net pension liability                                                 | 0.008%              | 0.008%              | 0.009%               |
| County Office's proportionate share of the net pension liability                                        | \$ 4,448,074        | \$ 5,465,633        | \$ 7,284,000         |
| County Office's proportionate share of the net pension liability associated with the County Office      | <u>105,306</u>      | <u>2,882,000</u>    | <u>4,147,000</u>     |
| Total pension liability                                                                                 | <u>\$ 4,553,380</u> | <u>\$ 8,347,633</u> | <u>\$ 11,431,000</u> |
| County Office's covered payroll                                                                         | \$ 3,990,000        | \$ 3,757,000        | \$ 4,488,000         |
| County Office's proportionate share of the net pension liability as a percentage of its covered payroll | 111.48%             | 145.48%             | 162.30%              |
| Plan fiduciary net position as a percentage of the total pension liability                              | 76.52%              | 74.02%              | 70.04%               |

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

All years prior to 2015 are not available.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2017

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

|                                                                                                         | <u>2015</u>  | <u>2016</u>  | <u>2017</u>  |
|---------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| County Office's proportion of the net pension liability                                                 | 0.020%       | 0.022%       | 0.020%       |
| County Office's proportionate share of the net pension liability                                        | \$ 2,276,944 | \$ 3,146,230 | \$ 3,872,000 |
| County Office's covered payroll                                                                         | \$ 2,105,471 | \$ 2,445,000 | \$ 2,352,000 |
| County Office's proportionate share of the net pension liability as a percentage of its covered payroll | 108.14%      | 128.68%      | 164.63%      |
| Plan fiduciary net position as a percentage of the total pension liability                              | 83.38%       | 79.43%       | 73.89%       |

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

All years prior to 2015 are not available.

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See note to required supplementary information.



AMADOR COUNTY OFFICE OF EDUCATION  
SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS  
For the Year Ended June 30, 2017

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

|                                                                      | <u>2015</u>      | <u>2016</u>      | <u>2017</u>      |
|----------------------------------------------------------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 338,647       | \$ 481,612       | \$ 578,135       |
| Contributions in relation to the contractually required contribution | <u>(338,647)</u> | <u>(481,612)</u> | <u>(578,135)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| County Office's covered payroll                                      | \$ 3,757,000     | \$ 4,488,000     | \$ 4,596,000     |
| Contributions as a percentage of covered payroll                     | 9.01%            | 10.73%           | 12.58%           |

All years prior to 2015 are not available.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS  
For the Year Ended June 30, 2017

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

|                                                                      | <u>2015</u>      | <u>2016</u>      | <u>2017</u>      |
|----------------------------------------------------------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 287,775       | \$ 278,674       | \$ 364,395       |
| Contributions in relation to the contractually required contribution | <u>(287,775)</u> | <u>(278,674)</u> | <u>(364,395)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| County Office's covered payroll                                      | \$ 2,444,500     | \$ 2,352,000     | \$ 2,624,000     |
| Contributions as a percentage of covered payroll                     | 11.77%           | 11.85%           | 13.89%           |

All years prior to 2015 are not available.

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See note to required supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017

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**NOTE 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 Trustees 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 Child Development Fund is presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

The excess of expenditures over appropriations as of June 30, 2017, were as follows:

| <u>Funds</u>                                    | <u>Excess<br/>Expenditures</u> |
|-------------------------------------------------|--------------------------------|
| County School Service Fund:                     |                                |
| Classified Salaries                             | \$ 120,683                     |
| Employee Benefits                               | \$ 8,843                       |
| Contract services and operating<br>expenditures | \$ 564,557                     |
| Child Development Fund:                         |                                |
| Certificated Salaries                           | \$ 43                          |

The County Office incurred unanticipated expenditures in excess of appropriations in each of the above expenditure classifications for which the budgets were not revised.

B - Schedule of 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.

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

The Schedule of the County Office's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the County Office's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the County Office's Contributions

The Schedule of the County Office's Contributions is presented to illustrate the County Office's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017

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**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

E – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50, 7.65 and 7.65 percent in the June 30, 2013, 2014 and 2015 actuarial reports, respectively. There are no changes in assumptions reported for the State Teacher's Retirement Plan.

**SUPPLEMENTARY INFORMATION**

AMADOR COUNTY OFFICE OF EDUCATION  
ORGANIZATION  
June 30, 2017

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Amador County Office of Education is a political subdivision of California. Territory covered by the County Office includes the one District within Amador County, the Amador County Unified School District. The County Office was organized in 1856 and provides education services to grades K-12 as mandated by the State and/or Federal Agencies.

The Board of Trustees of Amador County Office of Education is composed of five members, with one member elected from each supervisorial district within the boundaries of the County Office. The Board and the administrative staff manage and control the affairs of the County Office.

BOARD OF TRUSTEES

| <u>Name</u>       | <u>Office</u> | <u>Term Expires</u> |
|-------------------|---------------|---------------------|
| Bob Laurent       | President     | November 2018       |
| Kandi Thompson    | Clerk         | November 2018       |
| Rose Andrew-Oneto | Member        | November 2018       |
| Susan Ross        | Member        | November 2020       |
| Janet White       | Member        | November 2020       |

ADMINISTRATION

Amy Slavensky  
Superintendent

Tim Zearley\*  
Assistant Superintendent of  
Business Services

Mitzi Faulkner  
Assistant Superintendent of  
Special Education

Sabrina Greiten  
Assistant Superintendent of  
Curriculum and Instruction

David Vicari  
Executive Director of Personnel

Scott Nolan  
Chief Technology Officer

\* Tim Zearley left the County Office as of July 1, 2017

AMADOR COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2017

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|                                         | <u>Second<br/>Period<br/>Report</u> | <u>Annual<br/>Report</u> |
|-----------------------------------------|-------------------------------------|--------------------------|
| <b>COUNTY OFFICE OF EDUCATION</b>       |                                     |                          |
| Certificate Numbers                     | 6B4B7688                            | DP6E8C68                 |
| Secondary:                              |                                     |                          |
| Probation, Probation Referred, Expelled | 2                                   | 2                        |
| Total County Office                     | 2                                   | 2                        |
| <b>CHARTER SCHOOL</b>                   |                                     |                          |
| Certificate Numbers                     | A78B2690                            | 35A53A7A                 |
| Shenandoah Valley (Classroom Based):    |                                     |                          |
| Seventh and Eighth                      | 43                                  | 43                       |
| Total Charter School                    | 43                                  | 43                       |

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See accompanying notes to supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
SCHEDULE OF INSTRUCTIONAL TIME  
CHARTER SCHOOL  
For the Year Ended June 30, 2017

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| <u>Grade Level</u> | <u>Statutory<br/>Minutes<br/>Requirement</u> | <u>2016-17<br/>Actual<br/>Minutes</u> | <u>Number<br/>of Days<br/>Traditional<br/>Calendar</u> | <u>Status</u> |
|--------------------|----------------------------------------------|---------------------------------------|--------------------------------------------------------|---------------|
| Grade 7            | 54,000                                       | 55,065                                | 180                                                    | In Compliance |
| Grade 8            | 54,000                                       | 55,065                                | 180                                                    | In Compliance |

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See accompanying notes to supplementary information.



AMADOR COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

| <u>Federal<br/>Catalog<br/>Number</u>                                                       | <u>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</u>                     | <u>Pass-<br/>Through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Federal<br/>Expend-<br/>itures</u> |
|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------|
| <u>U.S. Department of Agriculture</u>                                                       |                                                                                              |                                                                |                                       |
| 10.665                                                                                      | Forest Service Schools and Roads Cluster:<br>Forest Reserve Funds                            | 10044                                                          | \$ <u>67,254</u>                      |
|                                                                                             | Total U.S. Department of Agriculture                                                         |                                                                | <u>67,254</u>                         |
| <u>U.S. Department of Education - Passed through California<br/>Department of Education</u> |                                                                                              |                                                                |                                       |
|                                                                                             | Special Education Cluster:                                                                   |                                                                |                                       |
| 84.027                                                                                      | Special Education: IDEA Basic Local Assistance<br>Entitlement, Part B, Section 611           | 13379                                                          | 696,302                               |
| 84.027                                                                                      | Special Education: IDEA Local Assistance, Part B,<br>Sec 611, Private School ISPs            | 10115                                                          | 1,897                                 |
| 84.027A                                                                                     | Special Ed: IDEA Preschool Local Entitlement,<br>Part B, Section 611 (AGE 3-4-5)             | 13682                                                          | 88,084                                |
| 84.027A                                                                                     | Special Ed: IDEA Mental Health Average Daily<br>Attendance (ADA) Allocation, Part B, Sec 611 | 15197                                                          | 44,381                                |
| 84.173                                                                                      | Special Ed: IDEA Preschool Grants, Part B,<br>Section 619 (Age 3-4-5)                        | 13430                                                          | <u>36,905</u>                         |
|                                                                                             | Subtotal Special Education Cluster                                                           |                                                                | 867,569                               |
| 84.181                                                                                      | Special Ed: IDEA Early Intervention Grants, Part C                                           | 23761                                                          | <u>11,256</u>                         |
|                                                                                             | Total U.S. Department of Education                                                           |                                                                | <u>878,825</u>                        |
| <u>U.S. Department of Health &amp; Human Services</u>                                       |                                                                                              |                                                                |                                       |
|                                                                                             | <i>Passed through California Department of Education</i>                                     |                                                                |                                       |
|                                                                                             | Child Development Cluster:                                                                   |                                                                |                                       |
| 93.575                                                                                      | Child Development: Federal Local Planning Councils                                           | 13946                                                          | 45,491                                |
| 93.575                                                                                      | Child Development: Quality Improvement - Child Care<br>Staff Retention Program               | 14990                                                          | <u>8,123</u>                          |
|                                                                                             | Total Child Development Cluster                                                              |                                                                | <u>53,614</u>                         |
|                                                                                             | <i>Passed through Stanislaus County Office of Education</i>                                  |                                                                |                                       |
|                                                                                             | Medicaid Cluster:                                                                            |                                                                |                                       |
| 93.778                                                                                      | Dept of Health Care Services: Medi-Cal Billing Option                                        | 10013                                                          | 120,397                               |
| 93.778                                                                                      | Medi-Cal Administrative Activities (MAA)                                                     | 10060                                                          | <u>7,385</u>                          |
|                                                                                             | Total Medicaid Cluster                                                                       |                                                                | <u>127,782</u>                        |
|                                                                                             | Total U.S. Department of Health & Human<br>Services                                          |                                                                | <u>181,396</u>                        |
|                                                                                             | Total Federal Programs                                                                       |                                                                | <u>\$ 1,127,475</u>                   |

See accompanying notes to supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017

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There were no audit adjustments proposed to any funds of the District.

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See accompanying notes to supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2017  
(UNAUDITED)

|                                                            | (Budgeted)<br>2018   | 2017                 | 2016                | 2015                |
|------------------------------------------------------------|----------------------|----------------------|---------------------|---------------------|
| <u>County School Service Fund</u>                          |                      |                      |                     |                     |
| Revenues and other financing sources                       | \$ 12,024,769        | \$ 12,858,489        | \$ 11,507,790       | \$ 9,781,981        |
| Expenditures                                               | 11,877,845           | 12,870,276           | 11,419,091          | 10,416,147          |
| Other uses and transfers out                               | -                    | -                    | -                   | -                   |
| Total outgo                                                | <u>11,877,845</u>    | <u>12,870,276</u>    | <u>11,419,091</u>   | <u>10,416,147</u>   |
| Change in fund balance                                     | <u>\$ 146,924</u>    | <u>\$ (11,787)</u>   | <u>\$ 88,699</u>    | <u>\$ (634,166)</u> |
| Ending fund balance                                        | <u>\$ 1,496,014</u>  | <u>\$ 1,349,090</u>  | <u>\$ 1,360,877</u> | <u>\$ 1,272,178</u> |
| Available reserves                                         | <u>\$ 777,565</u>    | <u>\$ 561,277</u>    | <u>\$ 702,870</u>   | <u>\$ 687,994</u>   |
| Designated for economic uncertainties                      | <u>\$ 473,752</u>    | <u>\$ 503,851</u>    | <u>\$ 456,764</u>   | <u>\$ 416,646</u>   |
| Undesignated fund balance                                  | <u>\$ 303,813</u>    | <u>\$ 57,426</u>     | <u>\$ 246,106</u>   | <u>\$ 271,348</u>   |
| Available reserves as a percentage of total outgo          | <u>6.5%</u>          | <u>4.4%</u>          | <u>6.2%</u>         | <u>6.6%</u>         |
| <u>All Funds</u>                                           |                      |                      |                     |                     |
| Total long-term liabilities                                | <u>\$ 11,876,007</u> | <u>\$ 11,972,086</u> | <u>\$ 8,777,418</u> | <u>\$ 6,931,572</u> |
| Average daily attendance at P-2 (excluding Charter School) | <u>2</u>             | <u>2</u>             | <u>4</u>            | <u>3</u>            |

The fund balance of the County School Service Fund has decreased \$557,254 over the past three years. The fiscal year 2017-2018 budget projects a surplus of \$146,924. For a County Office this size, the state recommends available reserves of at least 4 percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo). The County Office met this requirement at June 30, 2017.

The County Office has incurred operating deficits in two of the past three years and anticipates incurring an operating surplus during the 2017-2018 fiscal year.

Total long-term liabilities have increased by \$5,040,514 over the past two years.

Average daily attendance has decreased by 1 over the past two years. No change in ADA is projected for the 2017-2018 fiscal year.

See accompanying notes to supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2017

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| <u>Charter #</u> | <u>Charter Schools Chartered by County Office</u> | <u>Included in County Office<br/>Financial Statements, or<br/>Separate Report</u> |
|------------------|---------------------------------------------------|-----------------------------------------------------------------------------------|
| 1662             | Shenandoah Valley Charter School                  | Included                                                                          |

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See accompanying notes to supplementary information.

AMADOR COUNTY OFFICE OF EDUCATION  
 NOTES TO SUPPLEMENTARY INFORMATION  
 June 30, 2017

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**NOTE 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.

B - Schedule of Instructional Time - Charter Schools

Education Code Section 47612.5 requires classroom-based charter schools to offer a minimum number of minutes of instruction. The schedule presents information on the amount of instructional time offered by the County Office's charter schools and whether they complied with the provisions of Education Code Section 47612.5(a)(1).

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Amador County Office of Education, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2017.

| <u>Description</u>                                                                                               | <u>CFDA<br/>Number</u> | <u>Amount</u>       |
|------------------------------------------------------------------------------------------------------------------|------------------------|---------------------|
| Total Federal revenues, Statement of Revenues,<br>Expenditures and Change in Fund Balances                       |                        | \$ 1,195,035        |
| Less: Medi-Cal Administrative Activities funds received from current<br>awards not spent during the current year | 93.778                 | (72,606)            |
| Plus: Medi-Cal Billing funds spent from prior year awards                                                        | 93.778                 | <u>5,046</u>        |
| Total Schedule of Expenditure of Federal Awards                                                                  |                        | <u>\$ 1,127,475</u> |

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(Continued)

**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

D- 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.

E - 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 2017-2018 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of county offices of education which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2017, the County Office did not adopt such a program.

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

Board of Trustees  
 Amador County Office of Education  
 Jackson, California

**Report on Compliance with State Laws and Regulations**

We have audited Amador County Office of Education's compliance with the types of compliance requirements described in the State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2017.

| <u>Description</u>                                                                  | <u>Procedures Performed</u> |
|-------------------------------------------------------------------------------------|-----------------------------|
| Attendance                                                                          | No, see below               |
| Teacher Certification and Misassignments                                            | No, see below               |
| Kindergarten Continuance                                                            | No, see below               |
| Independent Study                                                                   | No, see below               |
| Continuation Education                                                              | No, see below               |
| Instructional Time                                                                  | No, see below               |
| Instructional Materials                                                             | Yes                         |
| Ratio of Administrative Employees to Teachers                                       | No, see below               |
| Classroom Teacher Salaries                                                          | No, see below               |
| Early Retirement Incentive                                                          | No, see below               |
| Gann Limit Calculation                                                              | Yes                         |
| School Accountability Report Card                                                   | No, see below               |
| Juvenile Court Schools                                                              | No, see below               |
| Middle or Early College High Schools                                                | No, see below               |
| K-3 Grade Span Adjustment                                                           | No, see below               |
| Transportation Maintenance of Effort                                                | Yes                         |
| Mental Health Related Services                                                      | Yes                         |
| Educator Effectiveness                                                              | Yes                         |
| California Clean Energy Jobs Act                                                    | No, see below               |
| After School Education and Safety Program:                                          |                             |
| General requirements                                                                | No, see below               |
| After school                                                                        | No, see below               |
| Before school                                                                       | No, see below               |
| Proper Expenditure of Education Protection Account Funds                            | Yes                         |
| Unduplicated Local Control Funding Formula Pupil Counts                             | Yes                         |
| Local Control and Accountability Plan                                               | Yes                         |
| Independent Study – Course Based                                                    | No, see below               |
| Immunizations                                                                       | No, see below               |
| Attendance, for charter schools                                                     | Yes                         |
| Mode of Instruction, for charter schools                                            | Yes                         |
| Nonclassroom-Based Instruction/Independent Study,<br>for charter schools            | No, see below               |
| Determination of Funding for Nonclassroom-Based<br>Instruction, for charter schools | No, see below               |
| Annual Instructional Minutes - Classroom-Based,<br>for charter schools              | Yes                         |
| Charter School Facility Grant Program                                               | No, see below               |

(Continued)

We did not perform any procedures related to Attendance Reporting as the County Office does not claim ADA for Attendance at regular school sites.

We did not perform any procedures related to Teacher Certification and Misassignments as the County Office does not claim ADA for Attendance at regular school sites.

We did not perform any procedures related to Kindergarten Continuance as the County Office does not offer Kindergarten.

The County Office's reported ADA for Independent Study was below the materiality level that requires testing; therefore, we did not perform any testing of Independent Study ADA.

We did not perform any procedures related to Continuation Education as the County Office does not offer Continuation Education.

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 as the ratio does not apply to County Offices.

We did not perform any procedures related to Classroom Teacher Salaries as the ratio does not apply to County Offices.

The County Office does not offer an Early Retirement Incentive Program; therefore, we did not perform any procedures related to this program.

The County Office is not a school district; therefore we did not perform any procedures related to School Accountability Report Card.

The County Office does not operate a Juvenile Court School therefore we did not perform any procedures related to Juvenile Court Schools.

The County Office does not operate a Middle or Early College High School; therefore, we did not perform any testing related to Middle or Early College High Schools.

We did not perform any procedures related to K-3 Grade Span Adjustment as this does not apply to County Offices.

We did not perform any procedures related to California Clean Energy Jobs Act as the County Office did not receive funding for this program.

The County Office does not operate an After School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

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

The County Office submitted all required immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to this requirement.

The County Office does not operate any Nonclassroom-Based Charter Schools; therefore, we did not perform any of the testing related to Nonclassroom-Based Instruction/Independent Study or Determination of Funding for Nonclassroom-Based Instruction for Charter Schools..

The County Office did not receive Charter School Facility Grant funding in the current year; therefore, we did not perform any procedures relating to the Charter School Facility Grant.

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(Continued)



## **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 Amador County Office of Education's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Amador County Office of Education's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Amador 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 Amador County Office of Education's compliance.

## **Basis for Qualified Opinion on Compliance with State Laws and Regulations**

As described in Finding 2017-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Amador County Office of Education did not comply with requirements regarding Instructional Materials. Compliance with such requirements is necessary, in our opinion, for Amador County Office of Education to comply with the requirements applicable to the state laws and regulations referred to above.

## **Qualified Opinion on State Laws and Regulations**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Amador County Office of Education complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2017.

## **Other Matter**

Amador County Office of Education's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Amador County Office of Education's response was not subjected to the auditing procedures applied in our audit of compliance and, accordingly, we express no opinion on it.

## **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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

  
Crowe Horwath LLP

Sacramento, California  
December 12, 2017

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

Board of Trustees  
Amador County Office of Education  
Jackson, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Amador County Office of Education as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Amador County Office of Education's basic financial statements, and have issued our report thereon dated December 12, 2017.

#### **Internal Control Over Financial Reporting**

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

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(Continued)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Amador 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crowe Horwath LLP*

Crowe Horwath LLP

Sacramento, California  
December 12, 2017

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

Board of Trustees  
Amador County Office of Education  
Jackson, California

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

We have audited Amador County Office of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Amador County Office of Education's major federal programs for the year ended June 30, 2017. Amador County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

In our opinion, Amador 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, 2017.

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(Continued)

## Report on Internal Control Over Compliance

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

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

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

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

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
December 12, 2017

## **FINDINGS AND RECOMMENDATIONS**

AMADOR COUNTY OFFICE OF EDUCATION  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2017

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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 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**STATE AWARDS**

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

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)



AMADOR COUNTY OFFICE OF EDUCATION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2017-001 STATE COMPLIANCE - INSTRUCTIONAL MATERIALS (70000)**

Criteria

Per Education Code section 60119 the county of education is required to hold a public hearing on or before the eighth week from the first day pupils attended school for that year.

Condition

The County Office did not hold a public hearing for instructional materials in the 2016-17 fiscal year.

Effect

The County Office is not in compliance with state requirements regarding Instructional Materials.

Cause

The process for identifying required board meeting required topics failed to identify the public hearing for Instructional Materials.

Fiscal Impact

Not determinable.

Recommendation

The County Office should establish an annual board meeting date in which the board will hold a public hearing for instructional materials before the eighth week of school.

Views of Responsible Officials and Planned Corrective Actions

The County Office held a public hearing during the September 2017 board meeting.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

AMADOR COUNTY OFFICE OF EDUCATION  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2017

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| <u>Finding/Recommendation</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>Current Status</u> | <u>County Office<br/>Explanation<br/>If Not Implemented</u>                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------------------------------------------------------------------------------------|
| <p><b>2016-001</b></p> <p><u>Condition:</u> The County Office incurred significant operating deficits of \$784,017 and 634,166, during fiscal years 2013-14 and 2014-15, respectively. During fiscal year 2015-16, the County Office reported an operating surplus of \$88,699, which was due primarily to the receipt of one-time funding related to outstanding mandate claims totaling \$193,181. Accordingly, exclusive of the one-time funding, the County Office's County Schools Service Fund would have incurred its third straight year of deficit spending with an operating deficit of \$104,482.</p> <p><u>Recommendation:</u> The County Office should take appropriate action to reduce its program spending down to a level, which can be supported by the amount of revenue received by the County Office.</p> | Not implemented.      | This is not reported in the current year as it is not a significant deficiency or material weakness. |

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(Continued)

AMADOR COUNTY OFFICE OF EDUCATION  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2017

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| <u>Finding/Recommendation</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>Current Status</u> | <u>County Office<br/>Explanation<br/>If Not Implemented</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------|
| <b>2016-002</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Implemented.          |                                                             |
| <p><u>Condition:</u> The enrollment and unduplicated pupil count information of the Shenandoah Charter School (Charter School) and the Amador County Office of Education (County Office), did not properly upload into CALPADS by the required due date, and the error was not detected until after the County Office could no longer submit changes to the State. As a result, the total enrollment and unduplicated pupil counts of the Charter School were both understated by 5 pupils. In addition, the total enrollment reported for the County Office's district funded programs was understated by 15 pupils, and the total unduplicated pupil counts was understated by 2 pupils.</p> |                       |                                                             |
| <p><u>Recommendation:</u> The County Office should establish procedures to ensure that all of the pupil information reported on the CALPADS "1.18 - FRPM / English Learner / Foster Youth - Student List" report is properly uploaded to CALPADS by the required due date, and verified for accuracy and completeness while corrections may still be uploaded to CALPADS. In addition, the County Office should post the audit adjustments, contained in the two schedules presented on the previous page, into the apportionment software to ensure that the audit determined enrollment and unduplicated pupil counts are properly reflected.</p>                                            |                       |                                                             |