

**TEHAMA COUNTY DEPARTMENT
OF EDUCATION**

County of Tehama
Red Bluff, California

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

Year Ended June 30, 2017

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FINANCIAL SECTION



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA ■ CHANDESE D. MEGHDADI, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Tehama County Department of Education
Red Bluff, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tehama County Department of Education (the Department of Education) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department 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.

Auditors' 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 the Tehama County Department 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tehama County Department of Education's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of Tehama County Department 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 Tehama County Department of Education's internal control over financial reporting and compliance.

Tittle & Company, LLP

Chico, California
November 30, 2017

TEHAMA COUNTY DEPARTMENT OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

This section of the Tehama County Department of Education's (the Department of Education) annual financial report presents our discussion and analysis of the Department of Education's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the Independent Auditors' Report and the Department of Education's financial statements, which immediately follow this section.

Financial Highlights

- Overall revenues were \$25,837,181. Current year expenditures exceeded current year revenues by \$1,388,174.
- The Department of Education maintains sufficient reserves for a Department of Education its size. It meets the State required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2016-17, General Fund expenditures and other financing uses totaled \$18,889,901. As of June 30, 2017, the Department of Education has available unrestricted reserves of \$3,373,335 in the General Fund, which represents a reserve of 18.5%.
- Long-term liabilities increased by \$2,330,627, which is attributed to an increase in the Department's proportionate share of the unfunded pension obligation in the State Teachers' and Public Employees' retirement systems.

The Financial Report

The full annual financial report consists of three separate parts - Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. 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 Department of Education's overall financial position.
- Fund financial statements that focus on individual parts of the Department of Education, reporting the Department of Education's operations in more detail than the government-wide statements.
 - The governmental fund statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Proprietary funds statements offer short- and long-term financial information about the activities the District operates like a business.
 - The fiduciary fund statements provide information about the financial relationships in which the Department of Education acts solely as an agent or trustee for the benefit of others to whom the resources belong.

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 Department of Education's budget for the year is included.

TEHAMA COUNTY DEPARTMENT OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

Reporting the Department of Education as a Whole

The government-wide statements report information about the Department of Education and use accounting methods similar to those used by companies in the private sector. All of the Department of Education's assets and liabilities 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 Department of Education's financial health or position can be measured by the difference between the Department of Education's assets and liabilities.

- Increases or decreases in the net assets of the Department of Education 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 Department of Education need to be considered in assessing the overall health of the Department of Education.

In the Statement of Net Position and the Statement of Activities, the activities are divided into two categories:

Governmental Activities

The basic services provided by the Department of Education, such as regular and special education, 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 and child development, are also included here but are financed by a combination of State and federal contract and grants, and local revenues.

Business-Type Activities

The Department of Education does not provide any services that should be included in this category.

Reporting the Department of Education's Most Significant Funds

The Department of Education's fund-based financial statements provide detailed information about the Department of Education's most significant funds, not the Department of Education as a whole. Some funds are required to be established by State law and bond covenants. However, the Department of Education establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds

The major governmental funds of the Department of Education are the County School Services Fund (the General Fund), the Charter Schools Fund, the Child Development Fund, and the Special Education Pass-Through 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 Department of Education's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the Department of Education's programs.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

Proprietary Funds

Services for which the Department of Education 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 the government-wide financial statements; therefore no reconciling entries are required. Internal service funds are reported with the governmental funds. The Department of Education has no funds of this type.

Fiduciary Funds

If the Department of Education is the trustee, or fiduciary, for assets that belong to others, it is reported in Fiduciary Funds. We exclude these activities from the Department of Education's financial statements because the Department of Education cannot use these assets to finance its operations. The Department of Education is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Department of Education has no funds of this type.

Financial Analysis of the Department of Education as a Whole

Net Position

The Department of Education's net position was \$3,181,820 for the fiscal year ended June 30, 2017. Of this amount, \$3,756,164 was restricted and (\$5,092,842) was unrestricted. Restricted net assets are reported separately and are not available for day-to-day operations or their use is constrained to a particular purpose by statutes, rules or entities with authority over the Department of Education.

The Department of Education's net position decreased by \$1,388,174 during the fiscal year 2016-17.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**
Year Ended June 30, 2017

Table 1: Statement of Net Position – Governmental Activities

| | Governmental Activities | | Total |
|--|-------------------------|---------------|----------------------|
| | 2016 | 2017 | Percentage Change |
| ASSETS | | | |
| Cash and investments | \$ 11,509,526 | \$ 11,943,764 | 3.8% |
| Accounts receivable | 5,435,158 | 4,805,362 | -11.6% |
| Prepaid expenses | 350,143 | 281,828 | -19.5% |
| Capital assets - net | 5,445,440 | 4,805,837 | -11.7% |
| Total assets | 22,740,267 | 21,836,791 | -4.0% |
| Deferred Outflows of Resources | 1,961,159 | 4,455,595 | 127.2% |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 3,028,720 | 3,369,149 | 11.2% |
| Unearned revenue | 210,976 | 365,042 | 73.0% |
| Long-term liabilities | 14,914,261 | 17,244,888 | 15.6% |
| Total liabilities | 18,153,957 | 20,979,079 | 15.6% |
| Deferred Inflows of Resources | 1,977,475 | 2,131,487 | 7.8% |
| NET ASSETS | | | |
| Net investment in capital assets | 5,077,931 | 4,518,498 | -11.0% |
| Restricted | 4,670,952 | 3,756,164 | -19.6% |
| Unrestricted | (5,178,889) | (5,092,842) | -1.7% |
| Total net position | \$ 4,569,994 | \$ 3,181,820 | -30.4% |

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

Table 2: Changes in Net Position from Operating Results – Governmental Activities

| | Governmental Activities | | Total Percentage Change |
|---|-------------------------|----------------|-------------------------------|
| | 2016 | 2017 | |
| REVENUES | | | |
| Program Revenues | | | |
| Charges for services | \$ 1,462,944 | \$ 840,211 | -42.6% |
| Operating grants and contributions | 15,893,117 | 15,110,540 | -4.9% |
| Capital grants and contribution | 5,186 | (989,035) | -19171.2% |
| General Revenues | | | |
| Unrestricted federal and state sources | 6,180,662 | 5,008,886 | -19.0% |
| Property taxes | 3,063,145 | 3,173,835 | 3.6% |
| Other | 1,887,842 | 2,692,744 | 42.6% |
| Total revenues | 28,492,896 | 25,837,181 | -9.3% |
| EXPENSES | | | |
| Instruction | 7,871,752 | 9,038,864 | 14.8% |
| Instruction-related services | 5,114,155 | 5,289,978 | 3.4% |
| Pupil services | 2,500,749 | 2,886,220 | 15.4% |
| General administration | 2,675,285 | 3,332,845 | 24.6% |
| Plant services | 930,489 | 932,051 | 0.2% |
| Ancillary services | 1,053,607 | 1,105,558 | 4.9% |
| Community services | 582,609 | 669,811 | 15.0% |
| Other outgo | 5,086,242 | 3,970,028 | -21.9% |
| Total expenses | 25,814,888 | 27,225,355 | 5.5% |
| Change in net position before special or extraordinary items | 2,678,008 | (1,388,174) | -151.8% |
| Special or extraordinary items | (6,765) | - | -100.0% |
| Change in net position | \$ 2,671,243 | \$ (1,388,174) | -152.0% |

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

Governmental Activities

- The cost of the Department of Education's governmental activities for the year was \$27,225,335.
- The Department of Education's expenses are predominantly related to education and caring for students (63.2%).
- Administrative activities accounted for just 12.2% of total costs.
- The net cost of all governmental activities this year was \$12,263,639.

Table 3 presents the cost of major governmental activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that is placed on the Department of Education's general revenues.

Table 3: Net Cost of Governmental Activities

| | Total Cost of Services | | Total Percentage Change | Net Cost of Services | | Total Percentage Change |
|------------------------------|------------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|
| | 2016 | 2017 | | 2016 | 2017 | |
| Instruction | \$ 7,871,752 | \$ 9,038,864 | 14.8% | \$ 2,151,835 | \$ 3,928,541 | 82.6% |
| Instruction-related services | 5,114,155 | 5,289,978 | 3.4% | 1,161,211 | 2,569,288 | 121.3% |
| Pupil services | 2,500,749 | 2,886,220 | 15.4% | 847,075 | 978,051 | 15.5% |
| General administration | 2,675,285 | 3,332,845 | 24.6% | 2,181,762 | 2,963,422 | 35.8% |
| Plant services | 930,489 | 932,051 | 0.2% | 738,260 | 713,698 | -3.3% |
| Ancillary services | 1,053,607 | 1,105,558 | 4.9% | 96,559 | 173,117 | 79.3% |
| Community services | 582,609 | 669,811 | 15.0% | (36,522) | (45,144) | 23.6% |
| Other outgo | 5,086,242 | 3,970,028 | -21.9% | 1,313,461 | 982,666 | -25.2% |
| Total | \$ 25,814,888 | \$ 27,225,355 | 5.5% | \$ 8,453,641 | \$ 12,263,639 | 45.1% |

Governmental Funds

The Department of Education's governmental funds reported a combined fund balance of \$13,296,763, a decrease of \$758,368 from the previous year. Following is a summary of the Department of Education's fund balances.

Table 4: Governmental Fund Balances

| | 2016 | 2017 | Increase (Decrease) |
|-------------------------------|----------------------|----------------------|------------------------|
| General Fund | \$ 11,877,319 | \$ 11,788,114 | \$ (89,205) |
| Charter Schools Fund | 1,285,299 | 1,297,892 | 12,593 |
| Child Development Fund | 383,700 | 210,757 | (172,943) |
| County School Facilities Fund | 508,813 | - | (508,813) |
| Total | \$ 14,055,131 | \$ 13,296,763 | \$ (758,368) |

The County School Services Fund (General Fund) decreased due to transfers to repay State Facilities funds for the purchase of land as such costs were disallowed under planning fund use.

The Charter Schools Fund increased due to an increase in one time other state revenue.

TEHAMA COUNTY DEPARTMENT OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2017

The Child Development Fund decreased due to increases in salaries and benefits throughout the State Preschool program, along with decreases in revenues due to low attendance rates.

The County School Facilities Fund decreased due to close out of planning grants and repayment of unused portion of such grants.

County School Services Fund Budgetary Highlights

Over the course of the year, the Department of Education revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revised figures and updated 45 days after the State approves its final budget. In addition, the Department of Education revises its budget at First and Second Interim. The budget amendments for the year typically fell into the following categories:

- Adjustment of revenue to actual enrollment and average daily attendance (ADA) data.
- Inclusion of new grants.
- Addition of grant and entitlement funds from the prior year.
- Negotiated salary increases.

The Department of Education's original and final budgets compared with actual operations are provided in the budgetary comparison schedule for the County School Services Fund (General Fund).

The Department of Education's final budget for the General Fund anticipated that expenditures would exceed revenues by \$264,665. The actual results show an increase in fund balance of \$513,381.

This increase is a result of:

- Carryover of unspent grant funds and delay of a capital improvement project.

Capital Asset and Debt Administration

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information regarding capital assets and long-term debt.

Capital Assets

By June 30, 2017, the Department of Education had invested \$4,805,837 in a broad range of capital assets including land, school buildings, equipment and administrative offices. In the current year, net capital assets decreased by \$639,603.

Decreases are the result of normal increases to depreciation and the write off of construction in progress planning costs for abandoned construction projects.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

Table 5: Capital Assets – Governmental Funds

| | Governmental Activities | | Total |
|--------------------------------|-------------------------|--------------|-------------------|
| | 2016 | 2017 | Percentage Change |
| Land | \$ 463,275 | \$ 463,275 | 0.0% |
| Improvements | 623,548 | 623,548 | 0.0% |
| Buildings | 5,183,977 | 5,192,697 | 0.2% |
| Machinery and equipment | 2,491,036 | 2,564,822 | 3.0% |
| Work in progress | 382,858 | - | -100.0% |
| Subtotal | 9,144,694 | 8,844,342 | -3.3% |
| Less: Accumulated depreciation | (3,699,254) | (4,038,505) | 9.2% |
| Total | \$ 5,445,440 | \$ 4,805,837 | -11.7% |

Long-Term Debt

The notes payable represent purchase of preschool buildings in prior years. The decrease is the result of regularly scheduled payments.

The liability for compensated absences increased due to shortage of staff throughout the Department of Education.

The net pension liability represents the Department's prorated share of the unfunded pension liability that exists within the CalSTRS and CalPERS retirement plans.

Table 6: Long-Term Debt – Governmental Funds

| | 2016 | 2017 | Total |
|-----------------------|---------------|---------------|-------------------|
| | | | Percentage Change |
| Notes payable | \$ 367,509 | \$ 287,339 | -21.8% |
| Compensated absences | 129,956 | 156,844 | 20.7% |
| Net pension liability | 14,416,796 | 16,800,705 | 16.5% |
| Total | \$ 14,914,261 | \$ 17,244,888 | 15.6% |

Economic Factors Bearing on the County's Future

- The passage of the 2013-14 state budget fundamentally changed the way school districts and county offices of education will be funded starting with the 2013-14 fiscal year. The old method of funding, the revenue limit calculation, has been replaced by the Local Control Funding Formula ("LCFF"). As a result, the Department will be flat funded at its hold harmless amount for at least the next 8 to 10 years.
- In addition to a new funding formula, county offices of education have been given additional oversight responsibilities. Every school district and county office of education will need to prepare a Local Control Accountability Plan ("LCAP"), detailing how they are spending funds for certain sub-groups of students. County offices are also responsible for reviewing

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2017

district plans within their respective county. It is anticipated that no new revenues will be provided to County offices to fund such new responsibilities. In addition, the County offices will begin the intervention phase of accountability for those districts that do not meet their educational and other local goals. The impact and additional cost of providing this intervention is unknown at this time.

- Increases to the Department's contribution to both STRS and PERS Pension Plans continue to exceed the Cost of Living Adjustment to various funding sources.

Contacting the Department of Education's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the Department of Education's finances and to show the Department of Education's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact:

Wes Grossman
Assistant Superintendent, Business Services
Tehama County Department of Education
P.O. Box 689
Red Bluff, CA 96080

TEHAMA COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2017

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 11,943,764 |
| Accounts receivable | 4,805,362 |
| Prepaid expenses | 281,828 |
| Capital assets, not depreciated | 463,275 |
| Capital assets, net of accumulated depreciation | 4,342,562 |
| Total Assets | 21,836,791 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 4,455,595 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 3,369,149 |
| Unearned revenue | 365,042 |
| Long-term liabilities: | |
| Due within one year | 80,170 |
| Due in more than one year | 17,164,718 |
| Total Liabilities | 20,979,079 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 2,131,487 |
| NET POSITION | |
| Net investment in capital assets | 4,518,498 |
| Restricted for: | |
| Educational programs | 3,756,164 |
| Unrestricted | (5,092,842) |
| Total Net Position | \$ 3,181,820 |

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

TEHAMA COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

| | Expenses | Program Revenues | | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction | \$ 9,038,864 | \$ 369,595 | \$ 5,729,763 | \$ (989,035) | \$ (3,928,541) |
| Instruction-related services: | | | | | |
| Instructional supervision and administration | 4,951,226 | 92,132 | 2,564,836 | - | (2,294,258) |
| Instructional library, media and technology | 12,247 | - | - | - | (12,247) |
| School site administration | 326,505 | 23,741 | 39,981 | - | (262,783) |
| Pupil services: | | | | | |
| Home-to-school transportation | 515,794 | 170 | 33,953 | - | (481,671) |
| Food services | 41,971 | 740 | 25,908 | - | (15,323) |
| All other pupil services | 2,328,455 | 41,555 | 1,805,843 | - | (481,057) |
| General administration: | | | | | |
| Centralized data processing services | 877,988 | - | (1,568) | - | (879,556) |
| All other general administration | 2,454,857 | 18,355 | 352,636 | - | (2,083,866) |
| Plant services | 932,051 | 4,119 | 214,234 | - | (713,698) |
| Ancillary services | 1,105,558 | 44,799 | 887,642 | - | (173,117) |
| Community services | 669,811 | 114,525 | 600,430 | - | 45,144 |
| Interest on long-term debt | - | - | (1) | - | (1) |
| Other outgo | 3,970,028 | 130,480 | 2,856,883 | - | (982,665) |
| Total Governmental Activities | \$ 27,225,355 | \$ 840,211 | \$ 15,110,540 | \$ (989,035) | (12,263,639) |
| General Revenues | | | | | |
| Property taxes, levied for general purposes | | | | | 3,173,835 |
| Federal and state aid not restricted to specific purposes | | | | | 5,008,886 |
| Interest and investment earnings | | | | | 51,424 |
| Interagency revenues | | | | | 1,172,657 |
| Miscellaneous | | | | | 1,468,663 |
| Total General Revenues | | | | | 10,875,465 |
| Change in Net Position | | | | | (1,388,174) |
| Net Position - Beginning | | | | | 4,569,994 |
| Net Position - Ending | | | | | \$ 3,181,820 |

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

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2017

| | General Fund | Charter Schools Fund | Special Education Pass-Through Fund |
|--|----------------------|---------------------------------|--|
| ASSETS | | | |
| Cash and investments | \$ 9,445,660 | \$ 1,935,720 | \$ - |
| Accounts receivable | 3,728,801 | 195,962 | 418,245 |
| Due from other funds | 253,607 | - | 389,143 |
| Prepaid expenditures | 272,862 | 8,516 | - |
| Total Assets | \$ 13,700,930 | \$ 2,140,198 | \$ 807,388 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 1,136,098 | \$ 728,112 | \$ 807,388 |
| Due to other funds | 574,196 | - | - |
| Unearned revenue | 202,522 | 114,194 | - |
| Total Liabilities | 1,912,816 | 842,306 | 807,388 |
| FUND BALANCES | | | |
| Nonspendable | 272,862 | 8,516 | - |
| Restricted | 3,379,674 | 166,183 | - |
| Assigned | 4,762,243 | 1,123,193 | - |
| Unassigned | 3,373,335 | - | - |
| Total Fund Balances | 11,788,114 | 1,297,892 | - |
| Total Liabilities and Fund Balances | \$ 13,700,930 | \$ 2,140,198 | \$ 807,388 |

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

TEHAMA COUNTY DEPARTMENT OF EDUCATION
 BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)

June 30, 2017

| | Child Development Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|------------------------------|------------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 405,799 | \$ 156,585 | \$ 11,943,764 |
| Accounts receivable | 462,354 | - | 4,805,362 |
| Due from other funds | 131,299 | 53,754 | 827,803 |
| Prepaid expenditures | 450 | - | 281,828 |
| Total Assets | \$ 999,902 | \$ 210,339 | \$ 17,858,757 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 487,212 | \$ 210,339 | \$ 3,369,149 |
| Due to other funds | 253,607 | - | 827,803 |
| Unearned revenue | 48,326 | - | 365,042 |
| Total Liabilities | 789,145 | 210,339 | 4,561,994 |
| FUND BALANCES | | | |
| Nonspendable | 450 | - | 281,828 |
| Restricted | 210,307 | - | 3,756,164 |
| Assigned | - | - | 5,885,436 |
| Unassigned | - | - | 3,373,335 |
| Total Fund Balances | 210,757 | - | 13,296,763 |
| Total Liabilities and Fund Balances | \$ 999,902 | \$ 210,339 | \$ 17,858,757 |

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

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017**

| | | |
|---|--------------------|---------------------|
| Total Fund Balance - Governmental Funds | | \$ 13,296,763 |
| <p>Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:</p> | | |
| <p>Capital assets:</p> <p>In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:</p> | | |
| Capital assets | \$ 8,844,342 | |
| Accumulated depreciation | <u>(4,038,505)</u> | 4,805,837 |
| <p>Long-term liabilities:</p> <p>In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p> | | |
| Compensated absences | 156,844 | |
| Note payable | 287,339 | |
| Net pension liability | <u>16,800,705</u> | (17,244,888) |
| <p>Deferred outflows and inflows of resources relating to pensions:</p> <p>In governmental 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.</p> | | |
| Deferred outflows of resources related to pensions | 4,455,595 | |
| Deferred inflows of resources related to pensions | <u>(2,131,487)</u> | <u>2,324,108</u> |
| Total Net Position - Governmental Activities | | \$ 3,181,820 |

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

TEHAMA COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2017

| | General Fund | Charter Schools Fund | Special Education Pass- Through Fund |
|---|----------------------|---------------------------------|---|
| REVENUES | | | |
| LCFF sources | \$ 6,443,006 | \$ 1,515,023 | \$ 40,222 |
| Federal revenue | 3,142,027 | - | 1,014,454 |
| Other state revenue | 4,911,449 | 234,884 | 2,573,008 |
| Other local revenue | 4,295,279 | 81,028 | - |
| Total Revenues | 18,791,761 | 1,830,935 | 3,627,684 |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 6,419,472 | 1,121,713 | - |
| Instruction-related services | 4,356,344 | 333,050 | - |
| Pupil services | 2,745,122 | 53,348 | - |
| Ancillary services | 1,099,747 | - | - |
| Community services | 125,593 | - | - |
| General administration | 2,583,723 | 117,790 | - |
| Plant services | 664,946 | 126,158 | - |
| Other outgo | 232,889 | 34,320 | 3,627,684 |
| Capital outlay | 50,544 | 31,963 | - |
| Debt service: | | | |
| Principal | - | - | - |
| Total Expenditures | 18,278,380 | 1,818,342 | 3,627,684 |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | 513,381 | 12,593 | - |
| Other Financing Sources (Uses) | | | |
| Interfund transfers in | 8,935 | - | - |
| Interfund transfers out | (611,521) | - | - |
| Total Other Financing Sources (Uses) | (602,586) | - | - |
| Net Change in Fund Balance | (89,205) | 12,593 | - |
| Fund Balance - Beginning | 11,877,319 | 1,285,299 | - |
| Fund Balance - Ending | \$ 11,788,114 | \$ 1,297,892 | \$ - |

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

TEHAMA COUNTY DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2017

| | Child Development Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|------------------------------|------------------------------------|--------------------------------|
| REVENUES | | | |
| LCFF sources | \$ - | \$ - | \$ 7,998,251 |
| Federal revenue | 377,646 | 59,569 | 4,593,696 |
| Other state revenue | 1,768,862 | (969,656) | 8,518,547 |
| Other local revenue | 387,014 | 5,121 | 4,768,442 |
| Total Revenues | 2,533,522 | (904,966) | 25,878,936 |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 1,382,090 | - | 8,923,275 |
| Instruction-related services | 475,294 | - | 5,164,688 |
| Pupil services | 47,455 | - | 2,845,925 |
| Ancillary services | - | - | 1,099,747 |
| Community services | 529,887 | - | 655,480 |
| General administration | 161,160 | - | 2,862,673 |
| Plant services | 161,708 | - | 952,812 |
| Other outgo | - | 75,134 | 3,970,027 |
| Capital outlay | - | - | 82,507 |
| Debt service: | | | |
| Principal | 80,170 | - | 80,170 |
| Total Expenditures | 2,837,764 | 75,134 | 26,637,304 |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | (304,242) | (980,100) | (758,368) |
| Other Financing Sources (Uses) | | | |
| Interfund transfers in | 131,299 | 480,222 | 620,456 |
| Interfund transfers out | - | (8,935) | (620,456) |
| Total Other Financing Sources (Uses) | 131,299 | 471,287 | - |
| Net Change in Fund Balance | (172,943) | (508,813) | (758,368) |
| Fund Balance - Beginning | 383,700 | 508,813 | 14,055,131 |
| Fund Balance - Ending | \$ 210,757 | \$ - | \$ 13,296,763 |

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

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES**
Year Ended June 30, 2017

| | | |
|---|-----------|--------------------|
| Net Change in Fund Balances - Governmental Funds | \$ | (758,368) |
| <p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p> | | |
| <p>Capital outlay:</p> <p>In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p> | | |
| Expenditures for capital outlay | \$ | 82,506 |
| Depreciation expense | | (339,251) |
| | | (256,745) |
| <p>Debt service:</p> <p>In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p> | | |
| | | 80,170 |
| <p>Compensated absences:</p> <p>In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned was:</p> | | |
| | | (26,888) |
| <p>Pensions:</p> <p>In governmental funds, pension 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 employer contributions was:</p> | | |
| | | (43,485) |
| <p>Cost write-off for canceled capital projects:</p> <p>If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written for canceled projects were:</p> | | |
| | | (382,858) |
| Change in Net Position - Governmental Activities | \$ | (1,388,174) |

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

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Department of Education is governed by an elected five member board and Superintendent of Schools. The Department of Education coordinates the educational programs among school districts in Tehama County. The Department of Education also provides professional and financial assistance to school districts and general responsibilities to support and control all schools in Tehama County. The Department of Education has no component units.

The Department of Education accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the Department of Education conform to accounting principles generally accepted in the United States of America (GAAP) as presented by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Government activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Department of Education's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The Fund financial statements provide information about the Department of Education's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental Funds

General Fund is the primary operating fund of the Department of Education. It is used to account for all financial resources except those required to be accounted for in another fund.

Charter Schools Fund is used to account for revenue received and expenditures made to operate Tehama eLearning Academy and Lincoln Street Charter School.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

Special Education Pass-Through Fund is used only for pass-through revenues. Special Education pass-through revenues are those that are received by the Department of Education on behalf of the Special Education Local Plan Area for distribution to other member LEAs in accordance with the local plan.

Child Development Fund is used to account for resources committed to child development programs maintained by the Department of Education.

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital outlay, and that compose a substantial portion of the fund's resources. The Department of Education maintains the following special revenue funds:

1. Adult Education Fund is used to account for resources committed to adult education programs maintained by the Department of Education.
2. Forest Reserve Fund is used to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital outlay acquisitions. The Department of Education maintains the following capital projects fund:

1. County School Facilities Fund is used primarily to account separately for state apportionments as provided in Education Code sections 17009.5 and 17070.10-17076.10.

Basis of Accounting/Measurement Focus

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the released cash flows take place.

Non-exchange transactions, in which the Department of Education's gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable. The Department of Education considers revenues as available if they are collected within 60 days after year end. Revenues susceptible to accrual are property

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

taxes, fiscal year state funding, and interest revenues. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the Department of Education incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Department of Education's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Department of Education considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Deferred inflows of resources are reported in the governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria is met, or when the government has a legal claim to the resources, the revenue is recognized.

Cash and Investments

The Department of Education's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Accounts Receivable

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2017, and amounts due from other governments including entitlements and grants from federal, state, and local governments that the Department of Education has earned or been allocated but has not received as of June 30, 2017. At June 30, 2017, no allowance for doubtful accounts was deemed necessary.

Interfund Transactions

Interfund transactions result from loans, services provided, reimbursements, or transfers between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

Inventories

Inventories are valued at average cost for purchased supplies and materials. Expenses are recorded as the supplies and materials are consumed.

Capital Assets

Capital assets, which include property, buildings, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' life is not capitalized. A capitalization threshold of \$5,000 is used except for vehicles, buildings and sites for which \$15,000 and \$50,000 or more, respectively, are used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| <u>Depreciable Lives of Assets</u> | <u>Years</u> |
|------------------------------------|--------------|
| Permanent Buildings | 50 |
| Portable Buildings | 25 |
| Land Improvements | 15 |
| Office Furniture and Equipment | 5-8 |
| Computer Equipment | 5 |
| Vehicles | 8 |
| Buses | 20 |

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows of Resources and Deferred Inflows of Resources

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources (a separate subheading following assets but before liabilities) or deferred inflows of resources (a separate subheading following liabilities but before equity).

Deferred outflows of resources—a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources—an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Deferred Outflows of Resources: In the government-wide financial statements, insurance costs arising from the issuance of debt are reported as deferred outflows and amortized over the term of the related debt. Deferred amounts from a refunding of debt (debits) are reported as deferred outflows of resources and are amortized over the lesser life of the refunded bonds or refunding debt.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

Deferred outflows of resources for pensions are reported in the government-wide financial statements of net position. Deferred outflows result from pension plan contributions made after the measurement date of the net pension liability. Deferred outflows also include the Department of Education's proportionate share of the deferred outflows of resources of the CalSTRS and CalPERS pension plans. These deferred outflows include the differences between expected and actual economic experience and changes in actuarial assumptions. The deferred outflows of resources related to the Department of Education's contributions which are subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred Inflows of Resources: Deferred amounts from refunding debt (credits) are reported as deferred inflows of resources and are amortized over the lesser life of the refunded bonds or refunding debt.

Deferred inflows of resources for pension are reported in the government-wide financial statement of net position and result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the Department of Education. The Department of Education's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

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

TEHAMA COUNTY DEPARTMENT OF EDUCATION

NOTES TO THE BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Government-Wide Net Position

Net position represents the difference between assets and liabilities. The Department of Education's net position is composed of the following:

Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. There are two major categories of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the board of trustees-the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of trustees removes the specified use by taking some type of action imposing the commitment.

Assigned fund balance reflects the amounts constrained by the Department of Education's own "intent" to be used for specific purposes, but are neither restricted nor committed. The board

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

of trustees and designee of the board of trustees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Department of Education's policy to use externally restricted resources first, and then unrestricted resources-committed, assigned, and unassigned-in order as needed.

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 that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgets and Budgetary Accounting

The budgetary process is described by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The original and final revised budgets are presented for the General Fund and each major special revenue fund as required supplementary information. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Property Taxes

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

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2017, consisted of the following:

| | Governmental Funds |
|---|-------------------------------|
| Cash in county treasury investment pool | \$ 11,821,734 |
| Cash on hand and in banks | 122,030 |
| Total Cash and Investments | \$ 11,943,764 |

Policies and Practices

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

In accordance with *California Education Code* Section 41001, the Department of Education maintains substantially all of its cash in the County Treasury as part of the common investment pool. The fair value of the Department of Education's investment in the pool is based upon the Department of Education's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in related 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.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Department of Education's deposits may not be returned to it. The Department of Education does not have a deposit policy for custodial credit risk. As of June 30, 2017 all of the Department of Education's deposits were insured.

Credit Risk - Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. *California Government Code* Section 53601 limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The Department of Education has no investment policy that would further limit its investment choices. The Department of Education's investment in the county investment pool is unrated.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

Interest Rate Risk - Investments

Interest rate risk the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Department of Education manages its exposure to interest rate risk by investing in the County Treasury. *California Government Code* Section 53601 limits the Department of Education’s investments to maturities of five years. The County Treasurer’s investment pool has an average maturity of three years.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted of the following:

| | General Fund | Charter Schools Fund | Special Education Pass-Through Fund | Child Development Fund | Total Governmental Activities |
|----------------------|---------------------|----------------------|-------------------------------------|------------------------|-------------------------------|
| Federal Government | | | | | |
| Categorical programs | \$ 765,239 | \$ - | \$ 418,245 | \$ 80,144 | \$ 1,263,628 |
| State Government | | | | | |
| Categorical programs | 1,120,419 | 40,017 | - | 16,285 | 1,176,721 |
| Lottery | - | 17,686 | - | - | 17,686 |
| Local Sources | 1,843,143 | 138,259 | - | 365,925 | 2,347,327 |
| Total | \$ 3,728,801 | \$ 195,962 | \$ 418,245 | \$ 462,354 | \$ 4,805,362 |

4. INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

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

| | Due From Other Funds | Due to Other Funds |
|-------------------------------------|----------------------|--------------------|
| General Fund | \$ 253,607 | \$ 574,196 |
| Special Education Pass-Through Fund | 389,143 | - |
| Child Development Fund | 131,299 | 253,607 |
| Non-Major Governmental Funds | 53,754 | - |
| Total | \$ 827,803 | \$ 827,803 |

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

Interfund Transfers

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

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

Interfund transfers for the year ended June 30, 2017, were as follows:

| | Transfers In | Transfers Out |
|------------------------------|---------------------|----------------------|
| General Fund | \$ 8,935 | \$ 611,521 |
| Child Development Fund | 131,299 | - |
| Non-Major Governmental Funds | 480,222 | 8,935 |
| Total | \$ 620,456 | \$ 620,456 |

The General Fund transferred \$426,468 to the County School Facility Fund to cover the Office of Public School Construction payback and \$53,754 to close the fund.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 |
|--|---------------------------------|---------------------|-------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 463,275 | \$ - | \$ - | \$ 463,275 |
| Construction in progress | 382,858 | - | 382,858 | - |
| Total capital assets not being depreciated | 846,133 | - | 382,858 | 463,275 |
| Capital assets being depreciated: | | | | |
| Buildings | 5,183,977 | 8,720 | - | 5,192,697 |
| Improvements of sites | 623,548 | - | - | 623,548 |
| Equipment and vehicles | 2,491,036 | 73,786 | - | 2,564,822 |
| Total capital assets being depreciated | 8,298,561 | 82,506 | - | 8,381,067 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,804,026 | 137,589 | - | 1,941,615 |
| Improvements of sites | 369,508 | 31,708 | - | 401,216 |
| Equipment and vehicles | 1,525,720 | 169,954 | - | 1,695,674 |
| Total accumulated depreciation | 3,699,254 | 339,251 | - | 4,038,505 |
| Total capital assets being depreciated, net | 4,599,307 | (256,745) | - | 4,342,562 |
| Governmental activities capital assets, net | \$ 5,445,440 | \$ (256,745) | \$ 382,858 | \$ 4,805,837 |

Depreciation expense was charged to governmental activities as follows:

| | |
|-----------------------------------|-------------------|
| Governmental Activities | |
| Instruction | \$ 113,542 |
| Instruction-related services | 63,136 |
| Pupil services | 34,349 |
| Ancillary services | 5,321 |
| Community services | 12,373 |
| General administration | 69,917 |
| Plant services | 40,613 |
| Total Depreciation Expense | \$ 339,251 |

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

6. ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

| | General Fund | Charter Schools Fund | Special Education Pass-Through Fund | Child Development Fund | Non-Major Governmental Funds | Total Governmental Activities |
|--------------------------|---------------------|-----------------------------|--|-------------------------------|-------------------------------------|--------------------------------------|
| Vendor payables | \$ 176,266 | \$ 28,958 | \$ - | \$ 59,639 | \$ - | \$ 264,863 |
| Payroll and benefits | 374,462 | 485,146 | - | 5,969 | - | 865,577 |
| Due to other governments | 585,370 | 214,008 | 807,388 | 421,604 | 210,339 | 2,238,709 |
| Total | \$ 1,136,098 | \$ 728,112 | \$ 807,388 | \$ 487,212 | \$ 210,339 | \$ 3,369,149 |

7. LONG-TERM OBLIGATIONS

Long-term obligations include debt and other long-term liabilities. A schedule of changes in long-term obligations for the year ended June 30, 2017, is shown below:

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 | Due Within One Year |
|-----------------------|-----------------------------|---------------------|-------------------|------------------------------|----------------------------|
| Compensated absences | \$ 129,956 | \$ 26,888 | \$ - | \$ 156,844 | \$ - |
| Notes payable | 367,509 | - | 80,170 | 287,339 | 80,170 |
| Net pension liability | 14,416,796 | 2,383,909 | - | 16,800,705 | - |
| Total | \$ 14,914,261 | \$ 2,410,797 | \$ 80,170 | \$ 17,244,888 | \$ 80,170 |

The compensated absences will be paid by the fund for which the employee worked. Payments on the notes payable are made by the Child Development Fund with State preschool program funds.

8. NOTES PAYABLE

Beginning November 2004, the Department of Education entered into seven notes payable to finance expenditures for preschool buildings within the County. There is no interest and principal payments are due annually. On June 30, 2017 the principal balance outstanding was \$287,339.

| Year Ending June 30 | Principal | Interest | Total |
|----------------------------|-------------------|-----------------|-------------------|
| 2018 | \$ 80,170 | \$ - | \$ 80,170 |
| 2019 | 60,170 | - | 60,170 |
| 2020 | 21,000 | - | 21,000 |
| 2021 | 21,000 | - | 21,000 |
| 2022 | 21,000 | - | 21,000 |
| 2023-2026 | 83,999 | - | 83,999 |
| Total | \$ 287,339 | \$ - | \$ 287,339 |

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

9. OPERATING LEASE

The Department of Education has entered into operating leases for facilities usage with a lease term of one year and an open-ended lease for vehicles. Each agreement does not contain a purchase option. Rent expense for the year ended June 30, 2017 was \$97,666. Future minimum lease payments are as follows:

| <u>Year Ending June 30</u> | <u>Lease Payments</u> |
|----------------------------|-----------------------|
| 2018 | \$ 110,052 |
| 2019 | 26,460 |
| 2020 | 26,460 |
| 2021 | 17,716 |
| 2022 | 4,675 |
| Total | \$ 185,363 |

10. FUND BALANCES

Fund balances were categorized as follows at June 30, 2017:

| | <u>General Fund</u> | <u>Charter Schools Fund</u> | <u>Child Development Fund</u> | <u>Total Governmental Funds</u> |
|---------------------------------|----------------------|-----------------------------|-------------------------------|---------------------------------|
| Nonspendable: | | | | |
| Prepaid expenditures | \$ 272,862 | \$ 8,516 | \$ 450 | \$ 281,828 |
| Total Nonspendable | <u>272,862</u> | <u>8,516</u> | <u>450</u> | <u>281,828</u> |
| Restricted: | | | | |
| Educational programs | 3,379,674 | 166,183 | 210,307 | 3,756,164 |
| Total Restricted | <u>3,379,674</u> | <u>166,183</u> | <u>210,307</u> | <u>3,756,164</u> |
| Assigned: | | | | |
| Deferred maintenance | 300,000 | - | - | 300,000 |
| Capital renewal | 2,100,000 | - | - | 2,100,000 |
| One time reimbursement | 65,618 | - | - | 65,618 |
| COOP | 2,159 | - | - | 2,159 |
| TALC | 1,044 | - | - | 1,044 |
| RSDSS local revenue | 60,707 | - | - | 60,707 |
| Technology reserve | 558,943 | - | - | 558,943 |
| Math local revenue | 29,466 | - | - | 29,466 |
| Alliance for teacher excellence | 710,383 | - | - | 710,383 |
| REU minimum | - | 130,000 | - | 130,000 |
| ADA variance | - | 558,289 | - | 558,289 |
| TeLA assigned for move | - | 300,000 | - | 300,000 |
| MAA audit | - | 95,186 | - | 95,186 |
| MAA reserve | 916,044 | - | - | 916,044 |
| Lottery | 17,879 | 39,718 | - | 57,597 |
| Total Assigned | <u>4,762,243</u> | <u>1,123,193</u> | <u>-</u> | <u>5,885,436</u> |
| Unassigned: | | | | |
| Economic uncertainties | 2,850,000 | - | - | 2,850,000 |
| Other unassigned | 523,335 | - | - | 523,335 |
| Total Unassigned | <u>3,373,335</u> | <u>-</u> | <u>-</u> | <u>3,373,335</u> |
| Total | \$ 11,788,114 | \$ 1,297,892 | \$ 210,757 | \$ 13,296,763 |

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

11. PENSION PLANS

Plan Descriptions

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the School Employer Pool California Public Employees' Retirement System (CalPERS). Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law and the Public Employees' Retirement Law. Support by the state for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites at www.calstrs.com and www.calpers.ca.gov.

Benefits Provided

The plans provide retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire with five years of total service at age 60, or with 30 years of total service at age 50, for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

| | CalSTRS | | CalPERS | |
|---|------------------------|-----------------------------|------------------------|-----------------------------|
| | Before Jan. 1, 2013 | On or After Jan. 1, 2013 | Before Jan. 1, 2013 | On or After Jan. 1, 2013 |
| Hire Date | | | | |
| Benefit Formula | 2% at 60 | 2% at 62 | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 Years | 5 Years | 5 Years | 5 Years |
| Benefit Payments | Monthly for Life | Monthly for Life | Monthly for Life | Monthly for Life |
| Retirement Age | 50-62 | 55-67 | 50-62 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.1-2.4% | 1.0-2.4% | 1.1-2.5% | 1.0-2.5% |

Contributions – CalPERS

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contributions to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

The Department of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2017 was 13.888% of annual payroll. Contributions to the plan from the Department of Education were \$1,040,074 for the year ended June 30, 2017.

Contributions – CalSTRS

Active plan members are required to contribute either 10.250% (2% at 60) or 9.205% (2% at 62) of their salary for fiscal year 2017 and the Department of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the Department of Education were \$556,573 for the year ended June 30, 2017.

On Behalf Payments

The Department of Education was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$353,347 to CalSTRS.

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

As of June 30, 2017, the Department of Education reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

| | CalSTRS | CalPERS |
|--|---------------------|----------------------|
| Department of Education's proportionate share of the net pension liability | \$ 5,661,670 | \$ 11,139,035 |
| State's proportionate share of the net pension liability | 3,223,562 | - |
| Total | \$ 8,885,232 | \$ 11,139,035 |

The net pension liability of each of the plans was measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Department of Education's proportion of the net pension liability was based on a projection of the Department of Education's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

The Department of Education's proportionate share of the net pension liability for each plan was as follows:

| | CalSTRS | CalPERS |
|------------------------------|----------------|----------------|
| Proportion - June 30, 2015 | 0.0090% | 0.0567% |
| Proportion - June 30, 2016 | 0.0070% | 0.0564% |
| Change - Increase (Decrease) | -0.0020% | -0.0003% |

For the year ended June 30, 2017, the Department of Education recognized pension expense of \$1,951,723. At June 30, 2017, the Department of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Department of Education contributions subsequent to the measurement date | \$ 1,596,647 | \$ - |
| Differences between actual and expected experience | 479,085 | 138,110 |
| Differences between projected and actual earning on plan investments | 2,178,520 | - |
| Changes in assumptions | - | 334,662 |
| Changes in employer's proportion and differences between employer's contributions and employer's proportionate share of contributions | 201,343 | 1,658,715 |
| Total | \$ 4,455,595 | \$ 2,131,487 |

\$1,596,647 reported as deferred outflows of resources related to Department of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------|---|--|
| 2018 | \$ 746,475 | \$ 652,436 |
| 2019 | 730,092 | 634,822 |
| 2020 | 875,045 | 476,298 |
| 2021 | 507,336 | 330,644 |
| 2022 | - | 25,206 |
| 2023 | - | 12,081 |
| Total | \$ 2,858,948 | \$ 2,131,487 |

TEHAMA COUNTY DEPARTMENT OF EDUCATION
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Actuarial Assumptions

The total pension liabilities in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | CalSTRS | CalPERS |
|-----------------------------|------------------|------------------|
| Valuation Date | June 30, 2015 | June 30, 2015 |
| Measurement Date | June 30, 2016 | June 30, 2016 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Actuarial Assumptions | | |
| Inflation | 3.00% | 2.75% |
| Wage Growth | 3.75% | 3.00% |
| Investment Rate of Return | 7.50% (1) | 7.50% (1) |
| Interest on Member Accounts | 4.50% | |

(1) Net of pension plan investment and administrative expenses

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series table adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

The actuarial assumptions used in the CalSTRS June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the CalPERS June 30, 2015 valuation were based on the January 2014 CalPERS Experience Study.

The long-term expected rate of return on CalPERS 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, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. 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 returns were calculated over the short-term (first 10 years) and 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 quarter of one percent.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

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 rates of return are net of administrative expenses.

| Asset Class | Strategic Allocation | Real Return Years 1-10* | Real Return Years 11+** |
|---------------------|-----------------------------|--------------------------------|--------------------------------|
| Global Equity | 51% | 5.25% | 5.71% |
| Global Fixed Income | 20% | 0.99% | 2.43% |
| Inflation Sensitive | 6% | 0.45% | 3.36% |
| Private Equity | 10% | 6.83% | 6.95% |
| Real Estate | 12% | 4.50% | 5.13% |
| Liquidity | 1% | -0.55% | -1.05% |

* An expected inflation of 2.5% used for this period.

** An expected inflation of 3.0% used for this period.

The long-term expected rate of return on CalSTRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance – PCA) as an input to the process. The actuarial investments 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 (Milliman) reviews the return assumption for reasonableness based on the more current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed allocation for each major asset class for the year ending June 30, 2016 are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term * Expected Real Rate of Return |
|--|---------------------------------|---|
| 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/Rate Mitigating Strategies | 9% | 2.90% |
| Cash/Liquidity | 2% | -1.00% |

*20-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. To determine whether the Department of Education bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the Department of Education

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2017

bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

Sensitivity to the Department of Education’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Department of Education’s proportionate share of the net pension liability for each plan, calculated using the discount rate for each plan, as well as the Department of Education's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | CalSTRS | CalPERS |
|-----------------------|--------------|---------------|
| 1% Decrease | 6.60% | 6.65% |
| Net Pension Liability | \$ 8,148,420 | \$ 16,619,502 |
| Current Discount Rate | 7.60% | 7.65% |
| Net Pension Liability | \$ 5,661,670 | \$ 11,139,035 |
| 1% Increase | 8.60% | 8.65% |
| Net Pension Liability | \$ 3,596,320 | \$ 6,575,467 |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

12. PARTICIPATION IN JOINT POWERS AUTHORITIES

The Department of Education participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): North Valley Schools Insurance Group (NVSIG), Northern California Schools Insurance Group (NCSIG), California’s Valued Trust (CVT), and Schools Excess Liabilities Fund (SELF). The relationship between the Department of Education and the JPAs is such that the JPAs are not component units of the Department of Education for financial reporting purposes.

The JPAs arrange for and provide property and liability, workers’ compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. The Boards control the operations of the JPAs including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The Department of Education’s share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
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13. RISK MANAGEMENT

The Department of Education is exposed to various risks including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the Department of Education participates in risk pools under JPAs for property and liability, health care, and workers' compensation coverage.

14. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The Department of Education receives financial assistance from federal and state government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual funds or the overall financial position of the Department of Education at June 30, 2017.

15. NEW ACCOUNTING PRONOUNCEMENTS

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The statement is effective for periods beginning after June 15, 2017. The Department of Education has not yet determined the impact on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The Department of Education has not yet determined the impact on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement's objective is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The statement is effective for periods beginning after June 15, 2017. The Department of Education has not yet determined the impact on the financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement's primary objective is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and

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other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The statement is effective for periods beginning after June 15, 2017. The Department of Education has not yet determined the impact on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. This standard's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after December 15, 2019. The Department of Education has not yet determined the impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| LCFF sources | \$ 6,396,593 | \$ 6,436,537 | \$ 6,443,006 | \$ 6,469 |
| Federal revenue | 3,557,987 | 3,793,265 | 3,142,027 | (651,238) |
| Other state revenue | 3,976,366 | 5,070,806 | 4,911,449 | (159,357) |
| Other local revenue | 5,290,081 | 4,500,231 | 4,295,279 | (204,952) |
| Total Revenues | 19,221,027 | 19,800,839 | 18,791,761 | (1,009,078) |
| EXPENDITURES | | | | |
| Certificated salaries | 4,678,669 | 4,571,453 | 4,571,158 | 295 |
| Classified salaries | 6,337,897 | 6,143,407 | 6,076,140 | 67,267 |
| Employee benefits | 3,161,798 | 3,279,944 | 3,212,933 | 67,011 |
| Books and supplies | 712,478 | 956,653 | 750,148 | 206,505 |
| Services and other operating | 4,164,621 | 4,773,013 | 3,545,728 | 1,227,285 |
| Other outgo | 232,148 | 233,031 | 232,889 | 142 |
| Direct support/indirect costs | (204,483) | (167,571) | (161,160) | (6,411) |
| Capital outlay | 238,774 | 275,574 | 50,544 | 225,030 |
| Total Expenditures | 19,321,902 | 20,065,504 | 18,278,380 | 1,787,124 |
| Excess (Deficiency) of Revenues Over Expenditures | (100,875) | (264,665) | 513,381 | 778,046 |
| Other Financing Sources (Uses) | | | | |
| Interfund transfers in | - | 8,935 | 8,935 | - |
| Interfund transfers out | (40,000) | (626,000) | (611,521) | 14,479 |
| Total Other Financing Sources (Uses) | (40,000) | (617,065) | (602,586) | 14,479 |
| Net Change in Fund Balance | (140,875) | (881,730) | (89,205) | 792,525 |
| Fund Balance - Beginning | 11,877,319 | 11,877,319 | 11,877,319 | - |
| Fund Balance - Ending | \$ 11,736,444 | \$ 10,995,589 | \$ 11,788,114 | \$ 792,525 |

See the accompanying notes to the required supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
 BUDGETARY COMPARISON SCHEDULE – CHARTER SCHOOLS FUND
 Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| LCFF sources | \$ 1,698,796 | \$ 1,503,897 | \$ 1,515,023 | \$ 11,126 |
| Other state revenue | 155,323 | 274,031 | 234,884 | (39,147) |
| Other local revenue | 92,800 | 89,900 | 81,028 | (8,872) |
| Total Revenues | 1,946,919 | 1,867,828 | 1,830,935 | (36,893) |
| EXPENDITURES | | | | |
| Certificated salaries | 449,249 | 405,111 | 379,064 | 26,047 |
| Classified salaries | 176,701 | 220,788 | 211,704 | 9,084 |
| Employee benefits | 230,062 | 207,129 | 207,108 | 21 |
| Books and supplies | 160,262 | 277,086 | 120,955 | 156,131 |
| Services and other operating | 910,858 | 934,253 | 833,228 | 101,025 |
| Other outgo | 62,467 | 41,348 | 34,320 | 7,028 |
| Capital outlay | - | 32,000 | 31,963 | 37 |
| Total Expenditures | 1,989,599 | 2,117,715 | 1,818,342 | 299,373 |
| Excess (Deficiency) of Revenues Over Expenditures | (42,680) | (249,887) | 12,593 | 262,480 |
| Net Change in Fund Balance | (42,680) | (249,887) | 12,593 | 262,480 |
| Fund Balance - Beginning | 1,285,299 | 1,285,299 | 1,285,299 | - |
| Fund Balance - Ending | \$ 1,242,619 | \$ 1,035,412 | \$ 1,297,892 | \$ 262,480 |

See the accompanying notes to the required supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION
PASS-THROUGH FUND
Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| LCFF sources | \$ - | \$ 40,222 | \$ 40,222 | \$ - |
| Federal revenue | 1,073,304 | 1,014,454 | 1,014,454 | - |
| Other state revenue | 3,304,107 | 2,573,008 | 2,573,008 | - |
| Total Revenues | 4,377,411 | 3,627,684 | 3,627,684 | - |
| EXPENDITURES | | | | |
| Other outgo | 4,377,411 | 3,627,684 | 3,627,684 | - |
| Total Expenditures | 4,377,411 | 3,627,684 | 3,627,684 | - |
| Net Change in Fund Balance | - | - | - | - |
| Fund Balance - Beginning | - | - | - | - |
| Fund Balance - Ending | \$ - | \$ - | \$ - | \$ - |

See the accompanying notes to the required supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
 BUDGETARY COMPARISON SCHEDULE – CHILD DEVELOPMENT FUND

Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Federal revenue | \$ 388,192 | \$ 388,192 | \$ 377,646 | \$ (10,546) |
| Other state revenue | 2,581,548 | 1,935,402 | 1,768,862 | (166,540) |
| Other local revenue | 477,690 | 504,622 | 387,014 | (117,608) |
| Total Revenues | 3,447,430 | 2,828,216 | 2,533,522 | (294,694) |
| EXPENDITURES | | | | |
| Certificated salaries | 34,950 | 34,033 | 14,030 | 20,003 |
| Classified salaries | 1,599,411 | 1,429,268 | 1,424,682 | 4,586 |
| Employee benefits | 575,622 | 408,793 | 408,661 | 132 |
| Books and supplies | 337,192 | 315,550 | 164,480 | 151,070 |
| Services and other operating | 683,578 | 713,953 | 584,581 | 129,372 |
| Direct support/indirect costs | 204,483 | 167,571 | 161,160 | 6,411 |
| Debt service: | | | | |
| Principal | 59,170 | 80,170 | 80,170 | - |
| Total Expenditures | 3,494,406 | 3,149,338 | 2,837,764 | 311,574 |
| Excess (Deficiency) of Revenues Over Expenditures | (46,976) | (321,122) | (304,242) | 16,880 |
| Other Financing Sources (Uses) | | | | |
| Interfund transfers in | 40,000 | 135,000 | 131,299 | (3,701) |
| Total Other Financing Sources (Uses) | 40,000 | 135,000 | 131,299 | (3,701) |
| Net Change in Fund Balance | (6,976) | (186,122) | (172,943) | 13,179 |
| Fund Balance - Beginning | 383,700 | 383,700 | 383,700 | - |
| Fund Balance - Ending | \$ 376,724 | \$ 197,578 | \$ 210,757 | \$ 13,179 |

See the accompanying notes to the required supplementary information.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF THE DEPARTMENT OF EDUCATION'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY -
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
Last Three Fiscal Years ***

| | Year Ended June 30 | | |
|---|--------------------|--------------|--------------|
| | 2017 | 2016 | 2015 |
| Department of Education's proportion of the net pension liability | 0.007% | 0.009% | 0.010% |
| Department of Education's proportionate share of the net pension liability | \$ 5,661,670 | \$ 6,059,160 | \$ 5,843,700 |
| State's proportionate share of the net pension liability | 3,223,562 | 3,204,619 | 3,528,714 |
| Total | \$ 8,885,232 | \$ 9,263,779 | \$ 9,372,414 |
| Department of Education's covered-employee payroll | \$ 4,964,252 | \$ 4,627,440 | \$ 4,686,380 |
| Department of Education's proportionate share of the net pension liability as a percentage of its covered employee payroll | 114.05% | 130.94% | 124.70% |
| Plan fiduciary net position as a percentage of total pension liability | 70.04% | 74.02% | 76.52% |

*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

See the accompanying notes to the required supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF THE DEPARTMENT OF EDUCATION CONTRIBUTIONS -
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 Last Three Fiscal Years*

| | Year Ended June 30 | | |
|--|--------------------|--------------|--------------|
| | 2017 | 2016 | 2015 |
| Contractually required contribution | \$ 556,573 | \$ 415,655 | \$ 358,188 |
| Contributions in relation to the contractually required contribution | (556,573) | (415,655) | (358,188) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Department of Education's covered-employee payroll | \$ 4,964,252 | \$ 4,627,440 | \$ 4,686,380 |
| Contributions as a percentage of covered employee payroll | 11.21% | 8.98% | 7.64% |

*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

See the accompanying notes to the required supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF THE DEPARTMENT OF EDUCATION'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY -
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Three Fiscal Years*

| | Year Ended June 30 | | |
|---|--------------------|--------------|--------------|
| | 2017 | 2016 | 2015 |
| Department of Education's proportion of the net pension liability | 0.0564% | 0.0567% | 0.0545% |
| Department of Education's proportionate share of the net pension liability | \$ 11,139,035 | \$ 8,357,636 | \$ 6,187,077 |
| Department of Education's covered-employee payroll | \$ 7,712,534 | \$ 6,828,281 | \$ 6,558,369 |
| Department of Education's proportionate share of the net pension liability as a percentage of its covered employee payroll | 144.43% | 122.40% | 94.34% |
| Plan fiduciary net position as a percentage of total pension liability | 73.90% | 79.43% | 83.38% |

*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

See the accompanying notes to the required supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF DEPARTMENT OF EDUCATION CONTRIBUTIONS -
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last Three Fiscal Years*

| | Year Ended June 30 | | |
|--|--------------------|--------------|--------------|
| | 2017 | 2016 | 2015 |
| Contractually required contribution | \$ 1,040,074 | \$ 799,393 | \$ 738,189 |
| Contributions in relation to the contractually required contribution | (1,040,074) | (799,393) | (738,189) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| Department of Education's covered-employee payroll | \$ 7,712,534 | \$ 6,828,281 | \$ 6,558,369 |
| Contributions as a percentage of covered employee payroll | 13.49% | 11.71% | 11.26% |

*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

See the accompanying notes to the required supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

1. BUDGETS

The Department of Education's Governing Board annually adopts a budget for the General Fund and each major Special Revenue Fund of the Department of Education. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budget as amended. Unexpended appropriations on the annual budget lapse at the end of each fiscal year.

2. PENSION – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Benefit Changes

There were no changes in benefits terms that affected measurement of the total pension liability during the measurement period.

Changes in Assumptions

There were no changes in major assumptions from the June 30, 2015, actuarial valuation.

3. PENSION – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were no changes in benefits terms that affected measurement of the total pension liability during the measurement period.

Changes in Assumptions

There were no changes in major assumptions from the June 30, 2015, actuarial valuation.

SUPPLEMENTARY INFORMATION

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
LOCAL EDUCATIONAL AGENCY ORGANIZATION**

June 30, 2017

The Tehama County Department of Education (the Department of Education) is located in Red Bluff, California. The Department of Education coordinates the educational programs among school districts in Tehama County. The Department of Education also provides professional and financial assistance to school districts and general responsibilities to support and control all schools in Tehama County.

GOVERNING BOARD

| Member | Office | Term Expires |
|-----------------|---------------|---------------------|
| Betty Brown | President | 2020 |
| Carolyn Steffan | Member | 2018 |
| Amanda Harter | Member | 2018 |
| Pam Begrin | Member | 2018 |
| Tim Moorehouse | Member | 2020 |

ADMINISTRATION

Richard DuVarney, Superintendent
Karin Matray, Associate Superintendent
Wesley Grossman, Assistant Superintendent, Business Services

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE**

Year Ended June 30, 2017

| | Second Period Report | Annual Report |
|---|---------------------------------|--------------------------|
| <hr/> | | |
| TK/K through grade 3 | | |
| Special day class | 14 | 11 |
| Special education nonpublic, nonsectarian schools | 6 | 5 |
| Special education students extended year | 1 | 1 |
| Total TK/K through grade 3 | <hr/> 21 <hr/> | <hr/> 17 <hr/> |
| Grades 4 through 6 | | |
| Special day class | 8 | 8 |
| Special education nonpublic, nonsectarian schools | 6 | 5 |
| Special education students extended year | 1 | 1 |
| Total grades 4 through 6 | <hr/> 15 <hr/> | <hr/> 14 <hr/> |
| Grades 7 and 8 | | |
| Special day class | 5 | 6 |
| Special education nonpublic, nonsectarian schools | 2 | 2 |
| Special education students extended year | - | - |
| Total grades 7 and 8 | <hr/> 7 <hr/> | <hr/> 8 <hr/> |
| Grades 9 through 12 | | |
| Special day class | 8 | 11 |
| Special education nonpublic, nonsectarian schools | 1 | 1 |
| Total grades 9 through 12 | <hr/> 9 <hr/> | <hr/> 12 <hr/> |
| Special Education ADA Totals | <hr/> 52 <hr/> | <hr/> 51 <hr/> |
| Juvenile Halls, Homes, and Camps: | | |
| Elementary | | 2 |
| High School | | 13 |
| Juvenile Halls, Homes and Camps Totals | | <hr/> 15 <hr/> |

See the accompanying notes to the supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
Year Ended June 30, 2017

| | Second Period Report | Annual Report |
|--|---------------------------------|--------------------------|
| TEHAMA ELEARNING ACADEMY CHARTER SCHOOL | | |
| Grades 7 and 8 | | |
| Regular ADA | 16 | 16 |
| Grades 9 through 12 | | |
| Regular ADA | 76 | 76 |
| Charter School ADA Totals | 92 | 92 |
| CLASSROOM-BASED ADA | | |
| Grades 7 and 8 | | |
| Regular ADA | - | - |
| Grades 9 through 12 | | |
| Regular ADA | - | - |
| Classroom-based ADA Totals | - | - |

See the accompanying notes to the supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
Year Ended June 30, 2017

| | Second Period Report | Annual Report |
|--------------------------------------|---------------------------------|--------------------------|
| LINCOLN STREET CHARTER SCHOOL | | |
| TK/K through grade 3 | | |
| Regular ADA | 36 | 36 |
| Grades 4 through 6 | | |
| Regular ADA | 24 | 25 |
| Grades 7 and 8 | | |
| Regular ADA | 20 | 21 |
| Charter School ADA Totals | 80 | 82 |
| CLASSROOM-BASED ADA | | |
| TK/K through grade 3 | | |
| Regular ADA | - | - |
| Grades 4 through 6 | | |
| Regular ADA | - | - |
| Grades 7 and 8 | | |
| Regular ADA | - | - |
| Classroom-based ADA Totals | - | - |

See the accompanying notes to the supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total Federal Expenditures</u> |
|---|------------------------------------|---|---|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Direct Program</i> | | | |
| TRIO - Talent Search | 84.044A | Not applicable | \$ 251,978 |
| Fund for the Improvement of Education - Everett Freeman School Counseling Initiative | 84.215E | Not applicable | 359,821 |
| <i>Passed Through California Department of Education</i> | | | |
| Title I Cluster | | | |
| NCLB - Title I, Part A, Basic Grants | 84.010 | 14329 | 53,182 |
| NCLB - Title I Basic School Support | 84.010 | 14416 | 525,697 |
| NCLB - Title I Part D | 84.010 | 14357 | 35,899 |
| Total Title I Cluster | | | <u>614,778</u> |
| NCLB - Title IV 21st Century Learning Centers Technical Assistance | 84.287 | 14350 | 177,750 |
| NCLB - Title III Limited English Proficient | 84.365 | 14346 | 26,002 |
| NCLB - Title II California Math and Science Partnership | 84.366 | 14512 | 430,416 |
| NCLB - Title II Teacher Quality | 84.367 | 14341 | 925 |
| Special Education Cluster | | | |
| Special Ed - Basic Local Assistance Entitlement | 84.027 | 13379 | 1,735,470 |
| Special Ed - Preschool Local Entitlement | 84.027 | 13682 | 148,194 |
| Special Ed - Mental Health | 84.027 | 14468 | 117,845 |
| Special Ed - Staff Development IDEA Preschool | 84.173 | 13431 | 1,000 |
| Special Ed - Preschool Grant | 84.173 | 13430 | 32,922 |
| Special Ed - Alternative Dispute Resolution | 84.173 | 13007 | 1,687 |
| Total Special Education Cluster | | | <u>2,037,118</u> |
| Special Ed - Early Intervention | 84.181 | 23761 | 59,480 |
| Total U.S. Department of Education | | | <u>3,958,268</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Direct Program</i> | | | |
| Forest Reserve | 10.665 | Not applicable | 59,569 |
| Total U.S. Department of Agriculture | | | <u>59,569</u> |
| U.S. DEPARTMENT OF THE INTERIOR | | | |
| <i>Direct Program</i> | | | |
| Wildlife Reserve | 15.608 | Not applicable | 153 |
| Total U.S. Department of the Interior | | | <u>153</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Passed Through Tehama County Health Services Agency</i> | | | |
| Tehama County Drug Free Community Coalition | 93.276 | Not applicable | 80,392 |
| <i>Passed Through State of California</i> | | | |
| Medi-Cal Billing Option | 93.778 | 10013 | 117,668 |
| <i>Passed Through California Department of Education</i> | | | |
| Child Development Cluster | | | |
| Child Development - Federal Child Care Homes | 93.596 | 13609 | 96,041 |
| Child Development - Federal Child Care Homes | 93.575 | 15136 | 40,555 |
| Child Development - Quality Improvement | 93.575 | 14990 | 11,875 |
| Child Development - Quality Improvement | 93.575 | 14130 | 176,058 |
| Child Development - Local Planning Councils | 93.575 | 13946 | 53,117 |
| Total Child Development Cluster | | | <u>377,646</u> |
| Total U.S. Department of Health and Human Services | | | <u>575,706</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 4,593,696</u> |

See the accompanying notes to the supplementary information.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

Year Ended June 30, 2017

| <u>Year Ended June 30</u> | <u>(Budget) 2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | |
| Revenues and Other Financing Sources | \$ 19,214,761 | \$ 18,800,696 | \$ 19,316,500 | \$ 17,967,274 |
| Expenditures and Other Financing Uses | <u>19,689,582</u> | <u>18,889,901</u> | <u>17,012,284</u> | <u>17,522,763</u> |
| Net Change in Fund Balance | <u>\$ (474,821)</u> | <u>\$ (89,205)</u> | <u>\$ 2,304,216</u> | <u>\$ 444,511</u> |
| Ending Fund Balance | <u>\$ 11,313,293</u> | <u>\$ 11,788,114</u> | <u>\$ 11,877,319</u> | <u>\$ 9,573,103</u> |
| Available Reserves* | <u>\$ 3,352,386</u> | <u>\$ 3,373,335</u> | <u>\$ 3,112,678</u> | <u>\$ 2,107,087</u> |
| Available Reserves as a Percentage of Total Outgo | <u>17.03%</u> | <u>17.86%</u> | <u>18.30%</u> | <u>12.02%</u> |
| Total Long-Term Debt | <u>\$ 17,164,718</u> | <u>\$ 17,244,888</u> | <u>\$ 14,914,261</u> | <u>\$ 12,471,040</u> |
| Average Annual Daily Attendance | <u>66</u> | <u>66</u> | <u>61</u> | <u>70</u> |

The General Fund ending fund balance has increased by \$2,215,011 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$474,821 (4.03%). For a Department of Education this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The Department of Education has incurred an operating surplus for two of the last three years, and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term debt has increased by \$4,773,848 over the past two years.

Average daily attendance has decreased by 4 over the past two years. No additional growth is anticipated during fiscal year 2017-18.

*Available reserves consist of all unassigned fund balance within the General Fund.

See the accompanying notes to the supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
 AUDITED FINANCIAL STATEMENTS
 Year Ended June 30, 2017

| | <u>General Fund</u> | <u>Charter Schools Fund</u> |
|---|----------------------|---------------------------------|
| June 30, 2017, Annual Financial and Budget Report (SACS) Fund Balances | <u>\$ 11,849,770</u> | <u>\$ 1,292,436</u> |
| ADJUSTMENTS INCREASING (DECREASING) THE FUND BALANCES | | |
| Understatement of accounts receivable | - | 17,685 |
| Overstatement of cash in county treasury fair value | <u>(61,656)</u> | <u>(12,229)</u> |
| Net Adjustments | <u>(61,656)</u> | <u>5,456</u> |
| June 30, 2017, Audited Financial Statement Fund Balances | <u>\$ 11,788,114</u> | <u>\$ 1,297,892</u> |

See the accompanying notes to the supplementary information.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF CHARTER SCHOOLS**

Year Ended June 30, 2017

Charter schools sponsored by the Department of Education that are included in the audit of the Department of Education:

Tehama eLearning Academy
Lincoln Street Charter School

See the accompanying notes to the supplementary information.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
NOTES TO THE SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

1. PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance

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

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Department of Education under programs of the federal government for the year ended June 30, 2017. 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). Because the Schedule presents only a selected portion of the operations of the Department of Education, it is not intended to and does not present the financial position or changes in net position of the Department of Education.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Department of Education has elected not to use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the Department of Education and indicates whether or not the charter school is included in the audit of the Department of Education.

OTHER INDEPENDENT AUDITORS' REPORTS



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA ■ CHANDESE D. MEGHDADI, CPA

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

To the Board of Trustees
Tehama County Department of Education
Red Bluff, 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 the Tehama County Department of Education (the Department of Education), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department of Education's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Tittle & Company, LLP

Chico, California
November 30, 2017



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA ■ CHANDESE D. MEGHDADI, CPA

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

To the Board of Trustees
Tehama County Department of Education
Red Bluff, California

Report on Compliance for Each Major Federal Program

We have audited Tehama County Department of Education's (the Department of Education) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department of Education's major federal programs for the year ended June 30, 2017. The Department of Education's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department 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 the Department 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 the Department of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Tehama County Department 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.

Report on Internal Control over Compliance

Management of the Department 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 the Department 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 the Department 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tittle & Company, LLP

Chico, California
November 30, 2017



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA ■ CHANDESE D. MEGHDADI, CPA

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Tehama County Department of Education
Red Bluff, California

Report on State Compliance

We have audited the Department of Education's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of the Department of Education's state programs for the fiscal year ended June 30, 2017, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department of Education's state 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 *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the Department 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. Our audit does not provide a legal determination of the Department of Education's compliance with those requirements.

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

| Program Name | Procedures Performed |
|--|----------------------|
| LOCAL EDUCATION AGENCIES | |
| OTHER THAN CHARTER SCHOOLS: | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Not applicable |
| Independent Study | Not applicable |
| Continuation Education | Not applicable |
| Instructional Time | Not applicable |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Not applicable |
| Classroom Teacher Salaries | Not applicable |
| Early Retirement Incentive | Not applicable |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Yes |
| Middle or Early College High Schools | Not applicable |
| K-3 Grade Span Adjustment | Not applicable |
| Transportation Maintenance of Effort | Yes |
| Mental Health Expenditures | Yes |
| SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS: | |
| Educator Effectiveness | Yes |
| California Clean Energy Jobs Act | Yes |
| After School Education and Safety Program | Yes |
| 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 | Not applicable |
| Immunizations | Yes |
| CHARTER SCHOOLS: | |
| Attendance | Yes |
| Mode of Instruction | Yes |
| Nonclassroom-Based Instruction/Independent Study | Yes |
| Determination of Funding for Nonclassroom-Based Instruction | Yes |
| Annual Instructional Minutes - Classroom Based | Not applicable |
| Charter School Facility Grant Program | Not applicable |

Opinion on State Compliance

In our opinion, Tehama County Department of Education complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs listed in the schedule above for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on state compliance is not modified with respect to these matters.

Tehama County Department of Education's Response to Findings

Tehama County Department of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tehama County Department of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Tittle & Company, LLP

Chico, California
November 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TEHAMA COUNTY DEPARTMENT OF EDUCATION
SUMMARY OF AUDITORS' RESULTS
Year Ended June 30, 2017

FINANCIAL STATEMENTS

| | |
|---|---------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

FEDERAL AWARDS

| | |
|--|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditors' 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)? | No |
| Identification of major programs: | |

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|------------------------------------|
| 84.027, 84.173 | Special Education Cluster (IDEA) |

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

STATE AWARDS

| | |
|---|------------|
| Internal control over state programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | Yes |
| Type of auditors' report issued on compliance for state programs: | Unmodified |

TEHAMA COUNTY DEPARTMENT OF EDUCATION
FINANCIAL STATEMENT FINDINGS
Year Ended June 30, 2017

None.

TEHAMA COUNTY DEPARTMENT OF EDUCATION
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

None.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
STATE AWARD FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2017

ATTENDANCE (Juvenile Hall and Special Education)

10000 (2017-001)

Significant Deficiency

Condition

The three teachers selected for sampling were signing reports from a few weeks to a few months after the week was over. This is not consistent with California Department of Education (CDE) approved attendance procedures.

Criteria

Pursuant to California Educational Code, Section 44809 and California Code of Regulations, Title 5 Section 400-401, schools must maintain records of pupil attendance. Teachers should be signing Weekly Attendance Reports on a weekly basis consistent with CDE approved attendance procedures.

Effect

CDE approved attendance procedures are not being followed. There is no financial impact as average daily attendance is properly stated.

Recommendation

We recommend that the Department of Education implement procedures to insure that teachers are signing reports on a weekly basis.

Response

The Department of Education's administration will adopt procedures to implement the recommendation during the fiscal year 2017-18.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2017

AFTER SCHOOL EDUCATION AND SAFETY PROGRAM

40000 (2016-001)

Significant Deficiency

Condition

During our testing of attendance for the after school program, we noted twelve days in the month selected for testing where students did not sign in but were marked as being present in the attendance system resulting in an overstatement of days reported on the 1st Half: After School Base Attendance Report. We also noted thirty days where the students were signed in but were not marked as being present in the attendance system resulting in an understatement of days reported on the 1st Half: After School Base Attendance Report.

Criteria

Education Code Section 8484 requires submission of program attendance data. Attendance reported on the semi-annual attendance reports should be compared to supporting documentation and reviewed for accuracy prior to filing.

Effect

The number of students served on the 1st Half: After School Base Attendance Report was understated by eighteen days. The amount originally reported was 137,370 students served. The correct amount should have been 137,388 students served. There is no financial impact as the program is not funded based on attendance.

Recommendation

We recommend that sign in/out sheets be thoroughly completed and that attendance reports be reviewed for accuracy. In addition, we recommend that the attendance report be amended for the errors noted above.

Current Status

Fully implemented.

**TEHAMA COUNTY DEPARTMENT OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2017

ATTENDANCE

10000 (2016-002)

Significant Deficiency

Condition

The three teachers selected for testing were signing weekly attendance reports from a few weeks to a few months after the applicable week had ended. This is not consistent with CDE approved attendance procedures.

Criteria

Pursuant to California Education Code, Section 44803 and California Code of Regulations, Title 5, Sections 400-401, schools must maintain records of pupil attendance. Teachers should be signing Weekly Attendance Reports on a weekly basis consistent with California Department of Education (CDE) approved attendance procedures.

Effect

CDE approved attendance procedures are not being followed. There is no financial impact as average daily attendance is properly stated.

Recommendation

We recommend that the Department of Education implement procedures to insure that teachers are signing reports on a weekly basis.

Current Status

See current year finding at 2017-001.