8.2 BOARD OF EDUCATION ACTION ITEM

TOPIC/ISSUE:

Receive Audit Report for 2016-2017 Fiscal Year

BACKGROUND:

Mr. Gustavo Corona, CPA, will present and review the Audit Report at the January 9th meeting of the County Board of Education. The positive status reflected in this report is the result of a combined effort by all members of the organization.

FINANCIAL IMPACT:

None.

RESOURCE:

Steve Carney Chief Business & Administrative Services Officer

RECOMMENDATION:

Approval of Audit Report for 2016-2017 Fiscal Year

Table Of Contents

8.2 BOARD OF EDUCATION ACTION ITEM 1
TOPIC/ISSUE: RECEIVE AUDIT REPORT FOR 2016-2017 FISCAL 1
YEAR MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) 6
JUNE 30, 2017 INTRODUCTION 6
FINANCIAL HIGHLIGHTS 6
GOVERNMENT-WIDE STATEMENTS 7
FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE 8
TABLE 1 NET POSITION 9
CAPITAL ASSETS AND DEBT ADMINISTRATION 13
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES 14
FINANCIAL SECTION 15
BALANCE SHEET-GOVERNMENTAL FUNDS JUNE 30, 2017 13
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION 15

JUNE 30, 2017 15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017 17

GASB STATEMENT NO. 77 - TAX ABATEMENT DISCLOSURES 20
CAPITAL ASSETS 24
PROPERTY TAXES 26
CASH IN COUNTY TREASURY 28

CAPITAL ASSETS 30

THE CERTIFICATES MATURE AS FOLLOWS: CERTIFICATES OF PARTICIPATION 2016 CERTIFICATES OF PARTICIPATION 33

SCHEDULE OF THE OFFICE OF EDUCATION'S CONTRIBUTIONS CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM 48
LAST TEN FISCAL YEARS* 48
SCHEDULE OF THE OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY 49

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST TEN FISCAL YEARS*49

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 58
OTHERINDEPENDENT AUDITOR'S REPORTS 60
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM 62
FINDINGS AND RECOMMENDATIONS SECTION 65
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2017 71

MADERA COUNTY OFFICE OF EDUCATION COUNTY OF MADERA

MADERA, CALIFORNIA AUDIT REPORT JUNE 30, 2017

BORCHARDT, CORONA, FAETH & ZAKARIAN

Certified Public Accountants 1180 E. Shaw Ave., Ste. 110

Fresno, California 93710-7809

Board of Trustees

Madera County Office of Education Madera, California

Report on the Financial Statements

Gustavo M. Corona, CPA
Scott A. Faeth, CPA
Christina J. Zakarian, CPA
Thomas R. Borchardt, CPA Consultant

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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Madera County Office of Education as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America

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, and Schedule of Funding Progress - other Post-Employment Benefits, Schedules of the Office of Education's Proportionate Share of the Net Pension Liability, and Schedules of Office of Education's Pension Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madera County Office of Education's basic financial statements. The other supplementary information schedules listed in the table of contents are presented for purposes of additional analysis as required by the State's audit guide, 2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel, and are 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F - Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements.

The other supplementary information schedules 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 other supplementary information schedules listed in the table of contents 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 Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2017, on our consideration of Madera County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Madera County Office of Education's internal control over financial reporting and compliance

Fresno, California

December 12, 2017

MADERA COUNTY OFFICE OF EDUCATION

Management's Discussion and Analysis (MD&A) June 30, 2017

INTRODUCTION

Our discussion and analysis of Madera County Office of Education financial performance provides an overview of the Office of Education's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Government-wide Statement of Net Position illustrates total net position of $281,894, the result of assets of $58,299,694 and Deferred Outflows of Resources of $10,886,024 less liabilities of $64,997,048 and Deferred Inflows of Resources of $3,906,776 representing an over 100% increase from the previous year. Cash in County Treasury compared to last year was $4,955 ,005 higher this year due to recognizing an increase in revenue over expenses, timing of payments and an increase in Medi-Cal Administrative Activities (MAA) revenue. There was also an increase in Special Education Preschool Revenues. In addition, Capital Assets increased for the completion of the Mental Health Modular Classroom and the renovation and additions to the old Enterprise Campus to make it ready for Pioneer Technical Center's move to its new home.

Operating and Capital Grants and Contributions accounted for $33,552,323 of revenue or 58% of all revenues. General revenues accounted for $20,572,445 or 36% of total revenues of $57,736, 127. Total assets in the General Fund were $16,409,182 at June 30, 2017. This was an increase of

$3,681,741 (29%) over the prior year total assets of $12,727,441.

Overall revenues in the General Fund were $35,725,179 which were greater than expenditures of $33,800,755 by $1,924,424. The Madera County Independent Academy (MCIA) decreased in ADA by approximately 70 ADA as two new schools opened up in Madera. One was an Independent Study Charter School and Madera Unified School District opened a new Community Day School. In addition, attendance and academic policies were enforced which caused some students to enroll in a seat time program that would allow for greater success.

Additional enhancements were completed on the Everest financial system by the Fresno County Office of Education. Fresno County Office of Education continues to take input from school districts and staff from the Office of Education's Business and Data Processing units.

LCFF sources decreased from the prior year due to a significant decrease in enrollment in our Court Day School, Community School and our Court School. This is primarily the result of our largest school district making changes in expulsions and Madera Probation making significant changes in how they deal with youth. Four years ago Madera Unified Expelled 75 students last year they only expelled 7 students. Our Court School has gone from around 120 students to an average of about 45.

We continue to have a difficult time hiring Special Education Teachers due to a state wide shortage of teachers. This allowed for favorable salaries and benefits in our Special Education Programs. However, we are trying to fill these difficult positions.

A significant problem for all school districts is the rise in California State Retirement Benefits. PERS increase by 1.65% and STRS by 1.85%. Each will continue to increase over the next four years.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The three sections together provide a comprehensive overview of the Office of Education. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

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

Fund financial statements focus on reporting the individual parts of the Office of Education operations in more detail. The fund financial statements comprise the remaining statements.

Governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the Office of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year 's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Office of Education's net position and how it has changed. Net position, the difference between the assets and liabilities, is one way to measure the Office of Education's financial health or position.

Over time, increases or decreases in the Office of Education's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Office of Education, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the Office of Education include government activities. Most of the Office of Education's basic services are included here, such as regular and special education, transportation, maintenance and general administration. LCFF funding and federal and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Office of Education's most significant funds, not the Office of Education as a whole. Funds are accounting devises that the Office of Education uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the Office of

Education is meeting legal responsibilities for using certain revenues. The Office of Education has two kinds of funds:

Governmental funds- Most of the Office of Education's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office of Education's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds' statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The Office of Education's combined net position was $281,894 at June 30, 2017. See Table 1. The Office of Education's combined net position reveals an increase of $1,712,079 over 100% over the previous year. Assets increased by $2,901,949 primarily due to an increase in Cash in County Treasury over last year by

$6,403,560 and a decrease in Accounts Receivable from last year by $2,306,502 with the majority due to booking Special Education revenues, Mental Health and Preschool Special Education revenues, and the timing of accounts payable payments also increased cash. In addition, Capital Assets increased due to the completion of the Mental Heal Modular Classroom and Enterprise Secondary School Portable additions projects.

Table 1 Net Position

Assets:	Governmental Activities 2017	Governmental Activities 2016	Total Percentage Change 2017-2016
Cash	$15,854,810	$10,899,805	45.46%
Accounts Receivable	6,369,153	8,675,655	-26.59%
Stores Inventories	3,642	3,121	16.69%
Capital Assets, Net of Accumulated Depreciation	36,072,089	35,819,164	0.71%
TOTAL ASSETS	58,299,694	55,397,745	5.24%
Deferred Outflows of Resources	10,886,024	3,945,783	>100.00%
Liabilities:			
Accounts Payable	7,202,758	5,881,009	22.47%
Unearned Revenue Long-Term Liabilities:	255,646	81,448	>100.00%
Other Postemployment Benefit Obligation	5,774,975	5,213,927	10.76%
Net Pension Liability	33,875,091	30,058,028	12.70%
Capital Leases	1,489,629	1,666,034	-10.59%
Compensated Absences	142,894	183,727	-22.22%
Certificates of Participation	16,256,055	14,546,185	11.75%
TOTAL LIABILITIES	64,997,048	57,630,358	12.78%
Deferred Inflows of Resources	3,906,776	3,143 ,355	24.29%
Net Position:			
Net Investment in Capital Assets	18,326,405	19,606,945	-6.53%
Restricted	6,741,282	6,318,537	6.69%
Unrestricted	($24,785,793.00)	($27,355,667.00)	-9.39%
Total Net Position	281,894	($1,460,185)	>100.00%

Change in Net Position

Table 2 shows the Office of Education's total revenues of $57,736,127. About 26% of the revenue comes from LCFF Sources. Operating Grants and Contributions accounted for the majority of total revenue (58%). The total cost of all programs and services was $56,024,048. The Office of Education's expenses are predominately related to educating and caring for students (53%). Community and ancillary services accounted for another 2%. Administrative activities accounted for just over 10% of total costs. The remaining expenses were for enterprise, plant services (maintenance and operations), other outgo and interest on long-term obligations.

Table 2 Change in Net Position

Revenues/Expenses	Total Activities 2017	Total Activities 2016	Total Percentage Change 2017-2016
Program Revenues:			
Charges for Services	$3,611,359	$3,376,908	6.94%
Operating Grants and Contributions	33,552,323	31,229,358	7.44%
General Revenues:			
LCFF Sources	15,249,225	15,964,741	-4.48%
Federal and State Revenues	1,146,345	1,596,292	-28.19%
Local Revenues	4,176,875	3,819,556	9.35%
TOTAL REVENUES	57,736,127	55,986,855	3.12%
Expenses:			
Instruction	17,456,394	17,015,143	2.59%
Instruction-Related Services	7,076,986	6,872,175	2.98%
Pupil Services	5,386,042	4,910,165	9.69%
Ancillary Services	9,144	15,587	-41.34%
Community Services	1,037,353	859,320	20.72%
Enterprise	15,657	19,477	-19.61%
General Administration	5,752,473	6,254,266	-8.02%
Plant Services	3,473,926	3,199,873	8.56%
Other Outgo	14,944,695	14,026,078	6.55%
Interest on Long-Term Obligations*	871,378		N/A
TOTAL EXPENSES	56,024,048	53,172,084	5.36%
INCREASE (DECREASE) IN NET POSITION	$1,712,079	$2,814,771	-39.18%

*Interest on Long-Term Obligations were previously presented as Other Outgo on the Statement of Activities.

Governmental Activities

The cost of all governmental activities this year was $56,024,048.

Table 3 represents the cost of the Office of Education's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was not funded by charges for services, operating grants and capital grants and contributions.

Table 3 Net Cost of Governmental Activities

Net Cost of Governmental Activities	Total Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2017	Net Cost of Services 2016
Instruction	$17,456,394.00	$17,015,143.00	$7,122,995.00	$7,498,962.00
Instruction-Related Services	$7,076,986.00	$6,872,175.00	$3,422,301.00	$3,388,928.00
Pupil Services	$5,386,042.00	$4,910,165.00	$2,356,219.00	$1,865,995.00
Ancillary Services	$9,144.00	$15,587.00	$7,054.00	$11,607.00
Community Services	$1,037,353.00	$859,320.00	$293,226.00	$311,712.00
Enterprise	$15,657.00	$19,477.00	($17,790.00)	$25,448.00
General Administration	$5,752,473.00	$6,254,266.00	$2,303,561.00	$2,746,515.00
Plant Services	$3,473,926.00	$3,199,873.00	$1,753,054.00	$1,362,438.00
Other Outgo	$14,944,695.00	$14,026,078.00	$748,368.00	$1,354,213.00
Interest on Long-Term Obligations*	$871,378.00	--	$871,378.00	--
Total	$56,024,048.00	$53,172,084.00	$18,860,366.00	$18,565,818.00

FINANCIAL ANALYSIS OF THE OFFICE OF EDUCATION'S FUNDS

Governmental Fund and Budgetary Highlights

The financial position of the Office of Education as a whole is reflected in its governmental funds. As the Office of Education completed the year, its governmental funds reported a combined fund balance of $14,936,654,which is an increase of $1,086,797 from last year's ending fund balance of $13,849,857.

Table 4

Governmental Fund and Budgetary Highlights	Balances and Activity 7/1/2016	Balances and Activity Revenues & Other Sources	Balances and Activity Expenditures & Other Uses	Balances and Activity 6/30/2017
General	$8,872,165	$52,019,803	$52,848,171	$8,043,797
Charter School	3,291,644	5,745,333	5,525,002	3,511,975
Special Education Pass-Through	--	14,196,327	14,182,647	13,680
Child Development	--	1,691,930	1,691,930	--
Deferred Maintenance	1,846	18	--	1,864
Forest Reserve	671	108,581	108,511	741
Special Reserve Fund for Other	--	--	--	--
than Capital Outlay Projects	1,628,110	1,680,525	--	3,308,635
County School Facilities	55,421	541	--	55,962
Total	$13,849,857	$75,443,058	$74,356,261	$14,936,654

.

Several factors were the cause of the increase. There is a statewide shortage of teachers in California and several of our Special Education positions went unfilled. Average Daily Attendance increased at the same time we received significant increases to the LCFF. Finally, we reorganized several areas of our Business, operating with less staff than the prior year which generated significant savings.

Over the course of the year, the Office of Education revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved September 13, 2017. A schedule of the Office of Education's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

The primary factors for the variation between original and final budget amounts are as follows:

Revenues - increased by $2,223,275 over the original budget primarily due to other local revenues which included significant increases to Infant Services, Curriculum Training for PSIS, CCEE Fees, and added Authorization Programs. Federal Revenues increased due to the Federal Preschool Grant and All Other Sate Revenues increased due to the One Time Block Grant that was unbudgeted due to the uncertainty the Governor would fund the grant at the time budgets were developed.

Salaries and Benefits - decreased by $604,547 due to unfilled positions in special education that are very difficult to fill. These positions include Speech Language Pathologists, Sign Language and Deaf Hard of Hearing positions.

Other non-personnel expenditures - increased by $80,388 due primarily to the improvements made on the Enterprise Campus and the Apollo Campus.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the Office of Education had invested $36,072,089 in a broad range of capital assets, including land, buildings and improvements, work in progress, equipment and vehicles. See Table 5. More detailed information about the Office of Education's capital assets is presented in the notes to the financial statements

Table 5 Capital Assets

Governmental Activities	Governmental Activities of Change 2017	Governmental Activities of Change 2016	Percent of Change 2017-2016
Land	$1,353,422	$1,353,422	0.00%
Buildings	39,308,038	38,033,400	3.35%
Land improvements	622,152	622,152	0.00%
Equipment	4,277,298	3,912,034	9.34%
Work in Progress	895,097	1,223,997	-26.87%
Total at Historical Cost	46,456,007	45,145,005	2.90%
Total Accumulated Depreciation	-10,383,918	-9,325,841	11.35%
NET CAPITAL	$36,072,089	$35,819,164	0.71%

The Office of Education's fiscal year 2017-18 budget projects spending approximately $132,714 for capital projects, primarily for an additional modular building for the mental health program located at the Apollo

Campus.

Long Term Debt

At year end, the Office of Education had $57,538,644 in debt, as shown in Table 6. More detailed information about the Office of Education's debt is presented in the notes to the financial statements.

Table 6 Long -Term Debt

Long-Term Debt	Governmental Activities 2017	Governmental Activities 2016	Percentage of Change 2017-2016
Net Pension Liability	$33,875,091	$30,058,028	12.70%
OPEB Liability	5,774,975	5,213,927	10.76%
Certificates of Participation	16,256,055	14,546,185	11.75%
Capital Leases	1,489,629	1,666,034	-10.59%
Compensated Absences	142,894	183,727	-22.22%
TOTAL LONG-TERM DEBT	$57,538,644	$51,667,901	11.36%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the Office of Education was aware of several circumstances that could affect its future financial health:

- The uncertainty of federal and state funding can have a profound impact on the financial health of the Office of Education. Although it appears that the County Office of Education will benefit, over time, with the implementation of the Local Control Funding Formula (LCFF), details on the timing are still being resolved. The budget and cash flow are being monitored and adjusted very closely.

- The increase to employer contribution rates for employee retirement programs, over time, could be a significant impact to the County Office of Education's financial position as rates are anticipated to double in the coming years. The overall impact is approximately $1,054,000 over the next three years.

- While the overall economy has been outstanding the past several years, the State has provided new monies outside the LCFF as one-time funds. We are reluctant to hire permanent positions for LCAP oversight or negotiate permanent increases from these funds that may go away. It is projected that the current Governor will likely continue to pass new monies from the State as one-time funds.
- While many economists are projecting a modest recession in 2018, it is generally thought that with the Rainy Day Fund California will come out of the recession ok. However, school finances should remain conservative.

- Madera County Office of Education is fully funded for the LCFF. New monies will typically come in the form of COLA, which is projected to be very low the next three years.

CONTACTING THE OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the Office of Education's finances and to demonstrate the Office of Education's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Steve Carney or Julie DeWall at (559) 673-6051 ext. 6295.

Financial Section

MADERA COUNTY OFFICE OF EDUCATION

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS:	Governmental Activitie
Cash in County Treasury	$15,852,680
Cash in Revolving Fund	2,130
Accounts Receivable	6,369,153
Stores Inventories	3,642
Capital Assets:	
Land	1,353,422
Land Improvements, Net	299,726
Buildings, Net	31,549,366
Equipment, Net	1,974,478
Work in Progress	895,097
Total Assets	58,299,694

DEFERRED OUTFLOWS OF RESOURCES:	Governmental Activities
Deferred Expenses	2,772,989
Deferred Outflows of Resources - Pensions	8,113,035
Total Deferred Outflows of Resources	10,886,024

LIABILITIES:	Governmental Activitie
Accounts Payable	7,202,758
Unearned Revenue	255,646
Noncurrent Liabilities:	
Net Pension Liability	33,875,091
Other Postemployment Benefit Obligatic	5,774,975
Due within one year	605,009
Due in more than one year	17,283,569
Total Liabilities	64,997,048

DEFERRED INFLOWS OF RESOURCE	Governmental Activitie
Deferred Inflows of Resources - Pensior	3,906,776
Total Deferred Inflows of Resources	3,906,776
NET POSITION:	
Net Investment in Capital Assets	18,326,405
Restricted For:	
Federal and State Programs	6,685,320
Capital Projects	55,962

Unrestricted	-24,785,793
Total Net Position	$281.89

The accompanying notes are an integral part of this statement.

MADERA COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs Primary Government: Governmental Activities	Expenses	Program Revenues - Charges for Services	Program Revenues - Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Instruction	$17,456,394.00	$1,598,388.00	$8,735,011.00	($7,122,995.00)
Instruction-Related Services	$7,076,986.00	$594,069.00	$3,060,616.00	($3,422,301.00)
Pupil Services	$5,386,042.00	$508,119.00	$2,521,704.00	($2,356,219.00)
Ancillary Services	$9,144.00	$361.00	$1,729.00	($7,054.00)
Community Services	$1,037,353.00	$76,200.00	$667,927.00	($293,226.00)
Enterprise	$15,657.00	$5,778.00	$27,669.00	$17,790.00
General Administration	$5,752,473.00	$569,871.00	$2,879,041.00	($2,303,561.00)
Plant Services	$3,473,926.00	$258,573.00	$1,462,299.00	($1,753,054.00)
Other Outgo	$1,494,695.00	--	$14,196,327.00	($748,368.00)
Interest on Long-Term Obligations	$871,378.00	--	--	($871,378.00)
Total Government Activities	$56,024,048.00	$3,611,359.00	$33,552,323.00	($18,860,366.00)
Total Primary Government	$56,024,048.00	$3,611,359.00	$33,552,323.00	($18,860,366.00)

General Revenues

LCFF Sources	$15,249,225.00
Federal Revenues	$412,870.00
State Revenues	$733,475.00
Local Revenues	$4,176,875.00
Total General Revenues	$20,572,445.00
Change in Net Posilion	$1,712,079.00

Net Position - Beginning	($1,430,185.00)
Net Position - Ending	$281,894.00

The accompanying notes are an integral part of this statement.

BALANCE SHEET-GOVERNMENTAL FUNDS JUNE 30, 2017

ASSETS:	General Fund	Charter School Fund	Special Education Pass Through	Other Government Funds	Total Government Funds
Cash in County Treasury	11,432,812.00	3,985,967.00	308,134.00	125,767.00	15,852,680.00
Cash in Revolving Fund	2,130.00	--	--	--	2,130.00

Accounts Receivable	4,777,536.00	70,787.00	1,364,107.00	156,723.00	6,369,153.00
Due from Other Funds	193,062.00	168,461.00	--	--	361,523.00
Stores Inventories	3,642.00	--	--	--	3,642.00
Total Assets	16,409,182.00	4,225,215.00	1,672,241.00	282,490.00	22,589,128.00

LIABILITIES	General Fund	Charter School Fund	Special Education Pass Through	Other Government Funds	Total Government Funds
Accounts Payable	4,910,174.00	399,236.00	1,658,561.00	67,334.00	7,035,305.00
Due to Other Funds	144,712.00	216,811.00	--	--	361,523.00
Unearned Revenue	--	97,193.00	--	158,453.00	255,646.00
Total Liabilities	5,054,886.00	713,240.00	1,658,561.00	225,787.00	7,652,474.00

Non Spendable FUND BALANCE	General Fund	Charter School Fund	Special Education Pass Through	Other Government Funds	Total Government Funds
Revolving Cash	2,130.00	--	--	--	2,130.00
Stores Inventories	3,642.00	--	--	--	3,642.00
Restricted Fund Balances	6,095,081.00	576,559.00	13,680.00	55,098.00	6,740,418.00
Committed Fund Balances	1,864.00	--	--	--	1,864.00
Assigned Fund Balances	3,308,635.00	2,935,416.00	--	1,605.00	6,245,656.00

UNNASSIGNED	General Fund	Charter School Fund	Special Education Pass Through	Other Government Funds	Total Government Funds
Reserve for Economic Uncertainty	1,081,234.00	--	--	--	1,081,234.00
Other Unassigned	861,710.00	--	--	--	861,710.00
Total Fund Balance	11,354,296.00	3,511,975.00	13,680.00	56,703.00	14,936,654.00
Total Liabilities and Fund Balances	16,409,182.00	4,225,215.00	1,672,241.00	282,490.00	22,589,128.00

The accompanying notes are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds balance sheet $14,936,654

Amounts reported for governmental activities in the Statement of Net Position are different because Capital assets used in governmental activities are not reported in the funds.36,072,089
Payables for capital leases which are not due in the current period are not reported in the funds.(1,489,629)

Payables for compensated absences which are not due in the current period are not reported in the funds.(142,894)

Other long-term liabilities which are not due and payable in the current period are not reported in the funds.(22,198,483)

Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. 2,772,989

Recognition of the Office of Education's proportionate share of the net pension liability is not reported in the fur (33,875,091)

Deferred Resource Inflows related to the pension plans are not reported in the funds. (3,906,776)

Deferred Resource Outflows related to the pension plans are not reported in the funds. 8,113,035

Net position of governmental activities - Statement of Net Position $281,894

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

MADE RA COUNTY OFFICE OF EDUCATION

Revenues: LCFF Sources:	General Fund	Charter School Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
State Apportionment or State Aid	$2,084,753.00	$3,798,549.00	--	--	$5,883,302.00
Education Protection Account Funds	$409,941.00	$643,535.00	--	--	$1,053,476.00
Local Sources	$8,094,371.00	$635,313.00	--	--	$8,729,684.00
Federal Revenue	$6,410,203.00	$2,550.00	$5,299,130.00	$215,155.00	$11,927,038.00
Other State Revenue	$8,780,184.00	$497,762.00	$8,897,197.00	$1,492,615.00	$19,667,758.00
Other Local Revenue	$9,945,727.00	$167,624.00	--	$51,004.00	$10,164,355.00
Total Revenues	$35,725,179.00	$5,745,333.00	$14,196,327.00	$17,558,774.00	$57,425,613.00

Expenditures: Current	General Fund	Charter School Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
instruction	$13,158,244.00	$2,606,400.00		$882,449.00	$16,647,093.00
instruction - Related Services	$5,549,009.00	$1,139,893.00		$133,928.00	$6,822,830.00
Pupil Services	$4,752,600.00	$301,262.00		$62,697.00	$5,116,559.00
Ancillary Services	$4,899.00	--			$4,899.00
Community Services	$712,051.00	--		$310,729.00	$1,022,780.00
Enterprise	($14,267.00)	--			($14,267.00)
General Administration	$5,332,559.00	$113,288.00		$145,309.00	$5,591,156.00
Plant Services	$1,908,214.00	$578,390.00		$156,818.00	$2,643,422.00
Other Outgo	$669,814.00	--	$14,182,647.00	$92,234.00	$14,944,695.00
Capital Outlay	$596,698.00	$785,769.00	--		$1,382,467.00

Debt Service:	General Fund	Charter School Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
Principal	$451,535.00	--	--	--	$451,535.00
interest	$679,399.00	--	--	--	$679,399.00
Total Expenditures	$33,800,755.00	$5,525,002.00	$14,182,647.00	$1,784,164.00	$55,292,568.00

Excess (Deficiency) of Revenues	General Fund	Charter School Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
Over (Under) Expenditures	$1,924,424.00	$220,331.00	$13,680.00	($25,390.00)	$2,133,045.00

Other Financing Sources (Uses):	General Fund	Charter School Fund	Special Education Pass-Through	Other Governmental Funds	Total Governmental Funds
Transfers In	$16,277.00	--	--	$42,278.00	$58,555.00
Transfers Out	($42,278.00)	--	--	($16,277.00)	($58,555.00)
Other Sources	$1,629,237.00	--	--	--	$1,629,243.00
Other Uses	($17,338,685.00)	--	--	--	($17,338,685.00)
Total Other Financing Sources (Uses)	($1,072,249.00)	--	--	$26,001.00	($1,046,248.00)
Net Change in Fund Balance	$852,175.00	$220,331.00	$13,680.00	$611.00	$1,086,797.00
Fund Balance, July 1	$10,502,121.00	$3,291,664.00	--	$56,092.00	$13,849,857.00
Fund Balance, June 30	$11,354,296.00	$3,511,975.00	$13,680.00	$56,703.00	$14,936,654.00

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds $ 1086,797

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA. 1,467,324

The depreciation of capital assets used in governmental activities is not reported in the funds. (1,211,535)

The gain or loss on the sale of capital assets is not reported in the funds. (2,864)

Expenses not requiring the use of current financial resources are not reported as expenditures in the funds. (561,048) Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA. 176,405 Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA. 17,613,815 (Increase) decrease in accrued interest from beginning of period to end of period. (284,416)

Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. 40,833 Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA. (16,200,000) Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL. 2,811,422 Pension expense relating to GASS 68 is recorded in the SOA but not in the funds. (3,224,654) Change in net position of governmental activities - Statement of Activities $1,712,079

The accompanying notes are an integral part of this statement.

A Summary of Significant Accounting Policies

The Office 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 Office of Education conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASS) and the American Institute of Certified Public Accountants {AICPA).

1. Reporting Entity

The Office of Education's combined financial statements include the accounts of all its operations. The Office of Education evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Office of Education's reporting entity, as set forth in GASS Statement No. 14 (as amended), *The Financial Reporting Entity,* include whether:

- the organization is legally separate organization (can sue and be sued in its name) for which the primary government is financially accountable.
- the Office of Education holds the corporate powers of the organization
- the Office of Education appoints a voting majority of the organization's board
- the Office of Education is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Office of Education
- there is fiscal dependency by the organization on the Office of Education

The Office of Education also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the Office of Education to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASS Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the Office of Education, its component units or its constituents; and

2) The Office of Education or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the Office of Education.

Based on these criteria, the Office of Education has no component units. Additionally, the Office of Education is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Change in Accounting Policies

The Office of Education has adopted accounting policies compliant with new pronouncements issued by the Governmental Accounting Standards Board (GASS) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASS Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are not within the Scope of GASS Statement No. 68. and Amendments to Certain Provisions of GASS Statement No. 67 and No. 68

The Office of Education does not provide pensions that are not within the scope of GASS Statement No.

NO
68.

TES TO **THE** FINANCIAL STATEMENTS

As a result, the adopt on of GASB Statem ent No. 73 did not result in a change to the financial

Year Ended June 30, 2017

Statement or Note Disclosures

GASS Statement No. 74 - Financial Reporting for Postemployment Benefit Plans other Than Pension Plans

The Office of Education does not administer their other postemployment benefits plan through a trust that meets the necessary criteria. As a result, the adoption of GASS Statement No. 74 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 77 - Tax Abatement Disclosures

The Office of Education has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 78 - Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

The Office of Education does not provide pensions through multiple-employer defined benefit pension plans that meet the necessary criteria. As a result, the adoption of GASB Statement No. 78 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirementsfor Certain Component Units

The Office of Education did not have any component units which met the necessary criteria. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues -An Amendment of GASB StatementsNo. 67, No. 68, and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 82.

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Office 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. The Office of Education does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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 Office 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 non-major funds.

The Office of Education reports the following major governmental funds:

General Fund. This is the Office of Education's primary operating fund. It is used to account for and report all financial resources not accounted for and reported for in another fund.

Charter School Fund. This fund is used to separately report the activities of charter schools not included in the General Fund.

Special Education Pass-Through Fund. This fund is used by the Administrative Unit (the Office of Education) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

The Office of Education reports the following non-major governmental funds:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The following special revenue funds are utilized by the Office of Education:

- The Child Development Fund is used to account separately for Federal, State and local revenues to operate Child Development Programs.

- The Forest Reserve Fund exists primarily to account separately for federal forest reserve monies received by county offices of education for distribution to school districts and community college districts.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Office of Education maintains the following capital projects funds:

- County School Facilities Fund. This fund was established to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

b. Measurement Focus, Basis of Accounting

Government-Wide Fund Financial Statements: This financial statement is reported using the economic

resources measurement focus. It is 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 related cash flows take place. Non-exchange transactions, in which the Office of Education 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.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Office of Education considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. 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 Office of Education incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Office of Education's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

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

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds. By state law, the Office of Education's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Office of Education's Board of Trustees satisfied these requirements.

These budgets are revised by the Office of Education's Board of Trustees and Office of Education Superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted

funds. The Office of Education employs budget control by minor object and by individual appropriation account. Expenditures cannot legally exceed appropriations by major object code.

5. Assets. Liabilities. Deferred Outflows/Inflows of Resources. and Net Position/Fund Balances

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

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

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Madera County Treasury was not available.

Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The Office of Education has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefitting period. The Office of Education has chosen to report the expenditure during the benefitting period.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

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

Asset Class	Estimated Useful Lives
Buildings	25-50
Land Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

a Receivable and Payable Balances

The Office of Education has provided detail of the receivable balances in Note F. The Office of Education believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates the payable balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Office of Education. The liability, if any, is recognized in the noncurrent liabilities - due within one year.

A percentage of Accumulated Sick Leave benefits are recognized as liabilities of the Office of Education. The Office of Education's policy is to record sick leave as an operating expense in the period taken and a percentage of the unused portion depending on length of service will vest and be payable upon retirement.

Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualifiedexpenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

Long-Term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financial sources/uses. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds are reported as debt service expenditures.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivabJes and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Madera bills and collects the taxes for the Office of Education.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources is a consumption of net assets or position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are

recorded in accordance with GASB Statement numbers 63 and 65.

Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the Office of Education:

Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board, the Office of Education's highest level of decision-making authority. This formal action is the Board's resolution or majority vote.

Assigned fund balance includes amounts that are constrained by the Office of Education's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Chief Business Official of the Madera County Office of Education pursuant to authorization established by Board Policy 3122.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When expenditures/expenses are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the Office of Education's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amount in any of these unrestricted classifications could be used, it is the Office of Education's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the Office of Education maintains a Reserve for Economic Uncertainties to safeguard the Office of Education's financial stability. The minimum recommended reserve for an Office of Education of this size is a minimum of three percent of budgeted general fund expenditures and other financing uses. The Office of Education's policy is to maintain the reserve at three percent.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

GASS 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD) 6/30/15

Measurement Date (MD) 6/30/16

Measurement Period (MP) 7/1/16

m. Use of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Compliance and Accountability

1. Finance-Relate d Legal and Contractual Provisions

In accordance with GASS Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Action Taken	Violation
Not Applicable	None reported

2. Deficit Fund Balance or Fund Net Position of Individual Funds
Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name
None reported

Deficit Amount
Not applicable

Remarks
Not applicable

C. Excess of Expenditures over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual funds as follows:

Excess

Appropriations Category	Special Education Pass-Through Fund: Other Outgo
General Fund:	
Services and Other Operating Expenditures Debt Service:	
Principal	

Expenditures	**349**
$432,966	**1,444, 281**

The Office of Education's General Fund incurred additional expenditures related to Services and Other Operating Expenditures for the issuance of the 2016 Certificates of Participation and Debt Service Principal Payments. The Office of Education's Special Education Pass Through Fund's Other Outgo increased due to the Office of Education recording their portion of AB602 Revenue in this Fund with the corresponding payment out to the General Fund which was not reflected in the working budget.

D. Cash and Investments

Summary of Cash and Investments

Cash and investments at June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position: Governmental Activities:	Dollar Amount
Cash in County Treasury	$15,852,680.00
Cash on Hand (Revolving Fund)	$2,130.00
Grand Total Cash and Investments	$15,854,810.00

Cash and investments as of June 30,2017 consist of the following	Dollar Amount
Cash on Hand (Revolving Fund)	$2,130.00
Deposits with County Treasury Total Cash and Investments	$15,852,680.00
Total Cash and Investments	$15,854,810.00

Cash in County Treasury

In accordance with Education Code Section 41001, the Office of Education maintains substantially all of its cash in the Madera County Treasury as part of the common investment pool (the Office of Education's portion was $15,852,680 as of June 30, 2017). The Office of Education is considered to be an involuntary participant in an external investment pool. The fair value of the Office of Education's portion of this pool as of June 30, 2017, as provided by the pool sponsor, was $15,819,936. Assumptions made in determining the fair value of the Office of Education's pooled investment portfolios are available from the County Treasurer. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The amount recorded on these financial statements is the balance available for withdrawal based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash on Hand (Revolving Fund)

Cash balances on hand ($2,130) are not insured or collateralized.

Investment Accounting Policy

The Office of Education is required by GASS Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Office of Education's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-

term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The Office of Education's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Office of Education's investment policy does not contain any specific provisions intended to limit the Office of Education's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Credit Risk

Generally, 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.

Concentration of Credit Risk

The investment policy of the Office of Education contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Office of Education has no investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Office of Education's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

The Office of Education had no deposits with financial institutions.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government code and the Office of Education's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

E. Fair Value

The Office of Education categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure as asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical of similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

Uncategorized - Cash in County Treasury (Investments in county treasury) in the Madera County Treasury Investment Pool are not measured using the input levels above because the Office of Education's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The Office of Education's fair value measurements at June 30, 2017 were as follows:

Cash in County Treasury (Investments in county treasury)

Uncategorized $15,852,680.00
Total $15,852,680.00

F. Accounts Receivable

Accounts receivable as of June 30, 2017, consist of the following:

Accounts Receivable	General Fund	Charter School Fund	Special Education Pass-Through	Other Governmnetal Funds	Total
Apportionment	$90,099.00	$25,846.00	--	--	$115,945.00
Federal Government: Federal Programs	$1,591,828.00	$380.00	$1,364,107.00	$84,456.00	$3,040,771.00
State Government: Categorical Aid	$649,431.00	--	--	$72,267.00	$721,698.00

Programs					
Lottery	$36,348.00	$44,561.00	--	--	$80,909.00
Total State Government	$685,779.00	$44,561.00	--	$7,267.00	$802,607.00
Local Government: Other	$2,401,180.00	--	--	--	$2,401,180.00
Interest	$77.00	--	--	--	$77.00
Miscellaneous	$8,573.00	--	$209.00	--	$8,573.00
Totals	$4,777,536.00	$70,787.00	$1,364,107.00	$156,723.00	$6,369,153.00

Cap

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

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated: Land	$1,353,422.00	--	--	$1,353,422.00
Capital assets not being depreciated: Work in progress	$1,223,997.00	$945,738.00	$1,274,638.00	$895,097.00
Total capital assets not being depreciated	$257,419.00	$945,738.00	$1,274,638.00	$2,248,519.00
Capital assets being depreciated: Buildings	$38,033,400.00	$1,274,638.00	--	$39,308,038.00
Capital assets being depreciated: Land Improvements	$622,152.00	--	--	$622,152.00
Capital assets being depreciated: Equipment	$3,912,034.00	$521,586.00	$156,322.00	$4,277,298.00
Total capital assets being depreciated	$42,567,586.00	$1,796,224.00	$156,322.00	$44,207,488.00
Less accumulated depreciation for: Buildings	$6,899,170.00	$859,502.00	--	$7,758,672.00
Less accumulated depreciation for: Land	$300,712.00	$21,714.00	--	$322,426.00

Improvements				
Less accumulated depreciation for: Equipment	$2,125,959.00	$330,319.00	$153,458.00	$2,302,820.00
Total accumulated depreciation	$9,325,841.00	$1,211,535.00	$153,458.00	$10,383,918.00
Total capital assets being depreciated, net	$33,241,745.00	$584,689.00	$2,864.00	$33,823,570.00
Governmental activities capital assets, net	$35,819,164.00	$1,530,427.00	$1,277,502.00	$36,072,089.00

Depreciation was charged to functions as follows
Instruction - $38,987, Instruction-Related Services $16,096. Pupil Services $169,597. Ancillary Services $4,245. Enterprise $29,924.General Administration $57,779. Plant Services $894,907. Total $1,211,535.00

G. Interfund Balance and Activities
1.Due to and from other funds Balances due to and due from other funds as June 30, 2017 consisted of the following

Due to other fund	due from other fund	Amount	Purpose
General Fund	Charter fund	$144,712	To transfer Apportionment for Type C student to proper fund
Charter Fund	Charter Fund	$23,749	To correct a paymen on the purchse of servers from Pioneer Technical Center Charter to Madera County Independent

			Academy
Charter Fund	General Fund	$193,062	To properly charge salaries and correct a payment on the purchase of servers to the charter funds

Total - $361,523.00. All amounts due are scheduled to be repaid within one year. 2.

Transfers To and From Other Funds

Transfers in to and out from other funds at June 30, 2017, consisted of the following:

Transfers Out From	Transfer in to	amount	reason
General fund	Child development fund	$42,278	Transfer to Preschool Program
Forest Reserve Fund	General Fund	$16,277	Transfer of forest reserve funds to general fund for forest resreve allocation.

1. Long-Term Obligations
   Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2017, are as follows:

Government Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts due within one year
Certificates of Participation	$14,546,185.00	$16,200,000.00	$14,490,130.00	$16,256,055.00	$281,055.00
Captial leases	$1,666,034.00	--	$176,405.00	$1,489,629.00	$181,060.00
Compensated Absences	$183,727.00	--	$40,833.00	$142,894.00	$142,894.00
Totals	$1,395,946.00	$16,200,000.00	$14,707,368.00	$17,888,578.00	$605,009.00

The funds typically used to liquidate Other Long-Term Liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Certificates of Participation

In June 2011, the Office of Education issued certificates of participation in the amount of

$14,835,000. The proceeds have been used by the Board for the purpose of implementing the 2013 and 2015 capital projects, refunding the Board's outstanding lease purchase financing, and paying the costs of issuing the certificates. Semi-annual payments were made at varying interest rates from 3.00% to 6.25%. The balance of these certificates were refunded with the issuance of 2016 certificates of participation as described below.

On November 1, 2016 the County issued $16,200,00 in certificates of participation with interest rates ranging between 2.00% and 4.00% to prepay the $14,215,000 of the outstanding 2011 certificates of participation and pay the costs incurred in connection with the execution and delivery of the certificates. The County deposited the net proceeds along with the cash with fiscal agent balance of the 2011 certificates of participation in an irrevocable trust to provide for all future debt service on the refunded 2011 certificates. As a result, the 2011 certificates of participation is considered defeased and the County has removed the liability from its accounts. The advance refunding reduced total debt service payments over the next 25.5 years by $29,984,224. This results in an economic gain of $4,488,566.

On the Government-Wide statements, the defeasance of the certificates of participation resulted in a deferred outflow of resources of $3,081,099 and is being amortized as a component of interest expense over the life of the old certificates. The unamortized balance at June 30, 2017 was

$2,772,989.

On November 9, 2012 the Office of Education issued certificates of participation totaling $534,810. The proceeds have been used by the Board for the purpose of purchasing phone equipment for the Instructional Support Center. Quarterly payments will be made at an interest rate of 2.38%.

The outstanding certificates of participation debt of the Office of Education as of June 30, 2017, are:

Date of Issue	Interest Rate %	Maturity Date	Original Issue	Outstanding July 1, 2016	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2017
2011	3.00-6.25	2042	$14,835,000.00	$14,835,000.00	--	$14,380,000.00	--
2012	2.38	2018	$534,810.00	$534,810.00	--	$110,130.00	$56,055.00
2016	2.00-4.00	2042	$16,200,000.00	$16,200,000.00	$16,200,000.00	--	$16,200,000.00
--	--	--	--	$31,569,810.00	$16,200,000.00	$14,490,130.00	$16,256,055.00

The certificates mature as follows: Certificates of Participation
2016 Certificates of Participation

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Total

2018	$225,000.00	$537,331.00	$762,331.00
2019	$185,000.00	$533,231.00	$718,231.00
2020	$195,000.00	$529,431.00	$724,431.00
2021	$210,000.00	$525,381.00	$735,381.00
2022	$230,000.00	$520,981.00	$750,981.00
2023- 2027	$2,235,000.00	$2,383,906.00	$4,618,906.00
2028- 2032	$3,200,000.00	$1,873,031.00	$5,073,031.00
2033- 2037	$4,240,000.00	$1,292,738.00	$5,532,738.00
2038- 2042	$5,480,000.00	$493,478.00	$5,973,478.00
Totals	$16,200,000.00	$8,689,508.00	$24,889,508.00

2012 Certificates of Participation

	Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Total
2018	$56,055.00	$501.00	$56,556.00

During the year, the Office of Education made payments on Certificates of Participation of $903,911, including interest of $628,781.

3. Capital Leases

In September 2015 the Office of Education entered into a lease agreement for $789,233 to finance the purchase of a fleet of buses for the Special Education Program at an interest rate of 2.68%. The Office of Education also leases the Early Education Center valued at $992,000 used for the Preschool Program at an interest rate of 3.475% per annum and leases two buildings valued at

$113,333 at a 0% interest rate under agreements that provided for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ended June 30	Lease Payments
2018	$227,022.00
2019	$227,022.00
2020	$208,133.00
2021	$208,133.00
2022	$208,133.00
2023-2027	$429,887.00
2028-2030	$257,932.00
Total Minimum Lease Payments	$1,766,262.00
Amount Representing Interest	$276,633.00
Present Value of Net Minimum Lease Payments	$1,489,629.00

The Office of Education received $122,156 in sublease revenue for the bus lease from Member Districts and will continue to receive sublease rental revenue on this lease for the remaining term of the lease. The Office of Education will not pay any contingent rentals associated with this lease.

During the year, the Office of Education made payments on the capital lease of $227,023, of which $50,618 represents interest.

J. Commitments Under Noncapitalized Leases

The Office of Education has entered into various leases for a postage printer and copiers with lease terms in excess of one year. The agreements do not contain a purchase option. The agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the Office of Education will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ended June 30	Lease Payments
2018	$34,646.00
2019	$34,646.00
2020	$34,646.00
2021	$33,914.00

2022	$28,950.00
Total	$166,802.00

The Office of Education will receive no sublease rental revenues nor pay any contingent rentals for these properties. The Office of Education paid $49,392 for these leases during the year ended June 30, 2017.

K. Detail of Fund Balance Classifications

Details of assigned and committed Fund Balances are as follows:

Assigned For	General Fund	Charter School Fund	Other Governmental Funds
Post-Employment Benefits	$3,308,635.00	--	--
Charter Schools	--	$2,935,416.00	--
Forest Reserve Program	--	--	$741.00
Captital Outlay	--	--	$864.00
Total Assigned	$3,308,635.00	$2,935,416.00	$1,605.00
Commited for Deferred Maintenance	$1,864.00	--	--

L. Joint Ventures (Joint Powers Agreements}

The Office of Education participates in joint ventures under joint powers agreements (JPAs) with the Self-Insured Schools of California I, and the Self-Insured Schools of California II. The relationship between the Office of Education and the JPAs is such that none of the JPAs is a component unit of the Office of Education for financial reporting purposes. Condensed audited financial information for the above JPAs (the most current information available) can be obtained through each respective authority.

Self-Insured Schools of California I (SISC I}

SISC I arrange for and provide workers' compensation insurance for its members. SISC I is governed by a Board consisting of a representative from each member. The Board controls the operations of SISC I, including the selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in SISC I.

Self-Insured Schools of California II (SISC II}

SISC II arranges for and provides property and liability insurance for its members. SISC II is governed by a Board consisting of a representative from each member. The Board controls the operations of SISC II, including the selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in SISC II.

M. Pension Plans

1. General Information About the Pension Plans

a. 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 California Public Employees' Retirement System (CalPERS.) Benefit provisions under the Plans are established by

State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASS 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.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. 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 at age 60 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 for the measurement period ending June 30, 2016 are summarized as follows:

Hire Date	CalSTRS Before Jan. 1, 2013	CalSTRS After Jan. 1, 2013	CalPERS Before Jan. 1, 2013	CalPERS After Jan. 1, 2013
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%	1.1-2.5%

* Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employeesFor the year ended June 30, 2017, the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 13.888% of annual payroll. Office of Education contributions to the pension plan were

$1,369,473 for the year ended June 30, 2017, and equal 100% of the required contributions for the year.

d. Contributions - CalSTRS

For the year ended June 30, 2017, Section 22950 of the California Education code requires CalSTRS 2% at

60 and 2% at 62 members to contribute monthly to the system 10.25% and 9.205% of the creditable compensation, respectively, upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. Office of Education contributions to the pension plan were $1,441,949 for the year ended June 30, 2017, and equal 100% of the required contributions for the year.

e. On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the Office of Education. For the year ended June 30, 2017 the State contributed $665,294 on behalf of the Office of Education to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures.

Accordingly, these amounts have been recorded on these financial statements.

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the Office of Education reported net pension liabilities for its proportionate shares of the net pension liability of each plan. The CalSTRS net pension liability reflects a reduction for State pension support provided to the Office of Education. The amount recognized by the Office of Education as its proportionate share of the net pension liability of each plan, the related CalSTRS State support, and the total portion of the net pension liability that is associated with the Office of Education is as follows:

Liability	CalSTERS	CalPERS	Total
District's proportionate share of the net pension liability	$17,730,614.00	$16,144,477.00	$33,875,091.00
State's proportonate share of the net pension liability associated with the District	$10,095,208.00	--	$10,095,208.00
Total	$27,825,822.00	$16,144,477.00	$43,970,299.00

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

The Office of Education's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

Proportionate Share	CalSTERS	CalPERS
Porportion - June 30, 2015	0.024838%	0.090475%
Porportion - June 30, 2016	0.021922%	0.081744%
Change-Increase (Decrease)	(0.002916%)	(0.008731%)

For the year ended June 30, 2017, the Office of Education recognized pension expense of

$4,200,462 and revenue of $975,808 for support provided by the State. At June 30, 2017, the Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension Expense	Deferred Outflows of Resources	Deferred inflows of resources
Pension contributions subsequent to measurement date	$2,811,422.00	--
Differences between actual and expected experience	$694,367.00	$432,518.00
Change in assumptions	--	$485,045.00
Change in employers proportion and difference between the employer's contributions and the employer's proportionate share of contributions	$692,567.00	$2,989,213.00
Net Difference between projected and actual earnings on plan investments	$3,914,679.00	--
Total	$8,113,035.00	$390,677.00

$2,811,422 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2018	$220,473.00
2019	$210,896.00
2020	($1,486,535.00)
2021	($934,059.00)
2022	$248,556.00
Thereafter	$345,832.00
Total	($1,394,837.00)

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Assumptions:	CalSTERS	CalPERS
Valuation Date	30-Jun-15	30-Jun-15

Measurement Date	30-Jun-16	30-Jun-16
Actuarial Cost Method	Entry Age - Normal Cost Method	Entry Age - Normal Cost Method
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05-5.60% (1)	3.20-10.80% (1)
Investment Rate of Return	7.6% (2)	7.65% (2)
Mortality	.013-.435% (3)	.00125-.45905% (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) Industry standard published by Society of Actuaries

b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the Office 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 Office of Education bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from CalSTRS and CalPERS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expenses. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they changed their methodology.

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

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 1O 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 and 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.

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.

CalPERS

Asset Class	Strategic Allocation	Real Return (Years 1-10) (1)	Real Return (Years
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100.00%	--	--

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

CalSTRS

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	9.80%
Cash/Liquidity	2.00%	-1.00%
Total	100.00%	--

* 20-year geometric average used for long term expected real rate of return

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the Office of Education's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Office of Education's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Proportionate Share changes	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$25,518,353	$24,087,646
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$17,730,614	$16,144,477.00
1% Increase	8.60%	8.65%
Net Pension Liability	$11,262,571	$9,530,221.00

d. 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.

N. Post-Employment Benefits Other than Pension Benefits

The Office of Education provides life-time post-employment health care benefits, as established by board policy, to eligible employees who retire from the Office of Education on or after attaining the minimum age of 50 under the PERS or age 55 with at least 20 years of service under the STRS. Employees hired prior to 1979-80 fiscal year are not subject to the 20 year service requirement. Employees hired on or after April 15, 1990 are not eligible to receive health care benefits. On June 30, 2017, 72 retirees met these eligibility requirements.

Office of Education Funding Policy

The contribution requirements of program members and the Office of Education are established and may be amended through negotiations between the Office of Education and the respective bargaining units. For the fiscal year ended June 30, 2017, the funding was based on the pay-as-you-go basis. For the fiscal year ended June 30, 2017, the Office of Education paid $846,338, as the pay-as-you-go cost (approximately 71.4% of total premiums). Plan members receiving benefits contributed $338,441 or approximately 28.6% of the total premiums, through their required contribution.

Annual OPEB Cost and Net OPEB Obligation

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

OPEB	Cost
Annual required contribution (ARC)	1,500,352.00
Interest on net OPEB obligation	208,556.00
Adjustment to annual required contribution	(301,522.00)
Annual OPEB cost (expense)	1,407,386.00
Contributions made	846,338.00
Increase in Net OPEB obligation	561,048.00
Net OPEB obligation - beginning of year	5,213,927.00
Net OPEB obligation - end of year	5,774.98

The Office of Education's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB obligation
June 30, 2015	$1,327,650.00	55.20%	$4,601,126.00
June 30, 2016	$1,418,313.00	56.80%	$5,213,927.00
June 30, 2017	$1,407,386.00	60.10%	$5,774,975.00

Refer to the Required Supplementary Information for the schedule of funding progress.

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $22,651,321 based on 92 employees, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $22,651,321. The covered payroll (annual payroll of active employees covered by the Plan) was $1,631,664, and the ratio of the UAAL to the covered payroll was 1388.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, healthcare cost trend and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate, which is a blended rate of the expected long-term investment returns on plan assets and that contributions and benefits are paid mid-year and an annual healthcare cost trend rate of 8% initially, reduced by decrements to ultimate rate of 5% after 4 years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2017 was 28 years.

0. Commitments and Contingencies

State and Federal Allowances, Awards and Grants

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

Required Supplementary Information

MADERA COUNTY OFFICE OF EDUCATION

GENERAL FUND BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR E

Revenues	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
LCFF: State Apportionment or State Aid	$2,295,936.00	$2,804,753.00	$2,084,753.00	--
LCFF: Education Protection Account Funds	$851,996.00	$409,941.00	$409,941.00	--
LCFF: Local Sources	$7,499,445.00	$8,094,371.00	$8,094,371.00	--
Federal Revenue	$6,170,782.00	$6,410,203.00	$6,410,203.00	--
Other State Revenue	$8,159,835.00	$8,780,184.00	$8,780,184.00	--
Other Local Revenue	$8,524,010.00	$10,595,441.00	$9,945,727.00	($649,714.00)
Total Revenues	$33,501,904.00	$36,374,893.00	$35,725,179.00	($649,174.00)

Expenditures	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Current Certificated Salaries	$10,544,049.00	$10,096,029.00	$10,096,029.00	--
Current Classified Salaries	$8,764,595.00	$8,754,905.00	$8,754,905.00	--
Current Employee Benefits	$7,754,129.00	$8,223,974.00	$7,607,292.00	$616,682.00
Current Books and Supplies	$953,365.00	$891,217.00	$891,217.00	--
Current ervices and Other operating expendutures	$4,577,347.00	$4,199,942.00	$4,632,908.00	($432,966.00)
Current Other Outgo	$237,341.00	$237,169.00	$237,169.00	--
Current Direct Support/Indirect Costs	($125,905.00)	($146,397.00)	($146,397.00)	--
Capital Outlay	$273,415.00	$596,698.00	$596,698.00	---
Debt Service Principal	$467,023.00	$451,186.00	$451,535.00	($349.00)
Debt Services Inerest	$879,555.00	$679,748.00	$679,399.00	$349.00
Total Expenditures	$34,324,914.00	$33,984,471.00	$33,800,755.00	$183,716.00

Excess (Deficiency) of Revenues	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Over (Under) Expenditures	($823,010.00)	$2,390,422.00	$1,924,424.00	($465,998.00)

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

Other Financing Sources (Uses)	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Transfers In	--	$16,277.00	$16,277.00	--
Transfers Out	($47,803.00)	($42,279.00)	($42,278.00)	$1.00
Other Sources	--	--	$16,292,437.00	$16,292,437.00
Other Uses	--	--	($17,338,685.00)	($17,338,685.00)
Totoal Other Financing Sources (Uses)	($47,803.00)	($26,002.00)	($1,072,249.00)	($1,046,247.00)
Net Change in Fund Balance	($870,813.00)	$2,364,420.00	$852,175.00	($1,512,245.00)
Fund Balance, July 1	$10,502,121.00	$10,502,121.00	$10,502,121.00	--
Fund Balance, June 30	$9,631,308.00	$12,866,541.00	$11,354,296.00	($1,512,245.00)

MADERA COUNTY OFFICE OF EDUCATION

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30 2017

Revenues	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
LCFF: State Apportionment or State Aid	$418,429.00	$3,798,549.00	$3,798,549.00	--
LCFF: Education Protection Account Funds	$940,219.00	$643,535.00	$643,535.00	--
LCFF: Local Sources	$576,288.00	$635,313.00	$635,313.00	--
Federal Revenue	$2,956.00	$2,550.00	$2,550.00	--
Other State Revenue	$308,294.00	$497,762.00	$497,762.00	--
Other Local Revenue	$261,741.00	$167,624.00	$167,624.00	--
Total Revenues	$6,273,792.00	$5,745,333.00	$5,745,333.00	--

Expenditures	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Current Certificated Salaries	$2,249,247.00	$2,070,316.00	$2,070,316.00	--
Current Classified Salaries	$443,546.00	$520,754.00	$520,754.00	--
Current Employee Benefits	$1,035,097.00	$1,240,658.00	$1,057,320.00	$183,338.00
Current Books and Supplies	$388,757.00	$161,047.00	$153,662.00	$7,385.00
Current Services and Other operating expendutures	$1,007,608.00	$936,098.00	$936,093.00	$5.00
Current Direct Support/Indirect Costs	--	$1,088.00	$1,088.00	--
Capital Outlay	$82,723.00	$785,769.00	$785,769.00	--
Total Expenditures	$5,206,978.00	$5,715,730.00	$5,525,002.00	$190,728.00

Excess (Deficiency) of Revenues	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Over (Under) Expenditures	$1,066,814.00	$29,603.00	$220,331.00	$190,728.00

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30 2017

Other Financing Sources (Uses)	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Total Other Financing Sources (Uses)	--	--	--	--
Net Change in Fund Balance	$1,066,814.00	$29,603.00	$220,331.00	$190,728.00
Fund Balance, July 1	$3,291,644.00	$3,291,644.00	$3,291,644.00	--
Fund Balance, June 30	$4,358,458.00	$3,321,247.00	$3,511,975.00	$190,728.00

MADERA COUNTY OFFICE OF EDUCATION CHARTER

SCHOOL FUND

BUDGETARY COMPARISON SCHEDULE

Revenues	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Federal Revenue	$5,180,449.00	$5,299,130.00	$5,299,130.00	--
Other State Revenue	$7,443,569.00	$7,452,916.00	$8,897,197.00	$1,444,281.00
Total Revenues	$12,624,018.00	$12,752,046.00	$14,196,327.00	$1,444,281.00

Expenditures	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Other Outgo	$12,495,776.00	$12,738,366.00	$14,182,647.00	($1,444,281.00)
Total Expenditures	$12,495,776.00	$12,738,366.00	$14,182,647.00	($1,444,281.00)

Excess (Deficiency) of Revenues	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Over (Under) Expenditures	$128,242.00	$13,680.00	$13,680.00	--

Other Financing Sources (Uses)	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with final budget positive (Negative)
Total Other Financing Sources (Uses)	--	--	--	--
Net Change in Fund Balance	$128,242.00	$13,680.00	$13,680.00	--
Fund Balance, July 1	--	--	--	--
Fund Balance, June 30	$128,242.00	$13,680.00	$13,680.00	--

CalSTRS	Fiscal Years 2015	Fiscal Years 2016	Fiscal Years 2017
District's proportion of the net pension liability (asset)	0.00023507%	0.024838%	0.021922%
District's proportionate share of the net pension liability (asset)	$13,736,627.00	$16,721,998.00	$17,730,614.00
State's proportinate share of the net pension liability (asset) associated with the District	$82,985.00	$844,070.00	$1,095,208.00
Total	$22,031,479.00	$25,566,068.00	$27,825,822.00
District's covered-employee payroll	$10,854,996.00	$10,991,115.00	$11,104,944.00
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	126.55%	152.14%	159.66%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** Information presented is for the fiscal year ended on the measurement date of the net pension liability

SCHEDULE OF THE OFFICE OF EDUCATION'S CONTRIBUTIONS CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS*

MCSOS Contributons to CalSTRS	Fiscal Years 2015	Fiscal Years 2016	Fiscal Years 2017
Contractually required contribution	$976,228.00	$1,191,658.00	$1,441,949.00
Contributions in relation to the contractually required contributions	($976,228.00)	($1,191,658.00)	($1,441,949.00)
Contribution deficiency (excess)	--	--	--
District's covered-employee payroll	$10,991,115.00	$11,104,944.00	$11,462,234.00
Contributions as a percentage of covered-employee payroll	8.88%	10.73%	12.58%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

SCHEDULE OF THE OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST TEN FISCAL YEARS*

CalPERS Share of Net Pension Liability	Fiscal Years 2015	Fiscal Years 2016	Fiscal Years 2017
District's proportion of the net pension liability (asset)	0.092456%	0.090474%	0.081744%
District's proportionate share of the net pension liability (asset)	$10,496,032.00	$13,336,029.00	$16,144,477.00
District's covered-employee payroll	$9,631,599.00	$10,043,307.00	$9,798,829.00
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.97%	132.79%	164.76%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** Information presented is for the fiscal year ended on the measurement date of the net pension liability.

MADERA COUNTY OFFICE OF EDUCATION

SCHEDULE OF THE OFFICE OF EDUCATION'S CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS*

County Office Contributions CalPERS	Fiscal Years 2015	Fiscal Years 2016	Fiscal Years 2017
Contractually required contribution	$1,180,935.00	$1,160,871.00	$1,369,473.00
contributions in relation to the contractually required contribution	($1,180,935.00)	($1,160,871.00)	($1,369,473.00)
Contribution deficiency (excess)	--	--	--
District's covered-employee payroll	$10,043,307.00	$9,798,829.00	$9,860,837.00
Contributions as a percentage of covered-employee payroll	11.758%	11.847%	13.888%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

MADERA COUNTY OFFICE OF EDUCATION

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ration	Annual Covered Payroll	UAAL as a Percentage of covered payroll
July 1, 2008	--	$13,486,677.00	$13,486,677.00	0.0%	$2,779,912.00	485.1%
July 1, 2012	--	$17,192,351.00	$17,192,351.00	0.0%	$1,839,754.00	934.5%
July 1, 2015	--	$22,651,321.00	$22,651,321.00	0.0%	$1,631,664.00	1388.2%

Supplementary Information Section

MADERA COUNTY OFFICE OF EDUCATION

ORGANIZATION

YEAR ENDED JUNE 30, 2017

The Office of Education was established on May 16, 1893 and is comprised of an area of 2,147 square miles located in Madera County. There were no changes in the boundaries of the Office of Education during the current year. The Office of Education is currently operating special education, alternative education, including court and community school, community day schools, a charter high school offering vocational classes, and an independent study charter academy. The Office of Education also provides business and educational support to nine districts located within Madera County and service and support to LEAs within a six county region. The Office of Education is the Administrative Unit (AU) for the Madera-Mariposa Special Education Local Plan Area (SELPA).

Board of Trustees

Name	Office	Term Expires
Sara Wilkins	President	Nov-18
Cathie Bustos	Vice-President	Nov-20
Joe Vived	Member	Nov-18
Grant Sturm	Member	Nov-20
Bobby Thatcher	Member	Nov-20
Nancy Prosperi	Member	Nov-20
Alfred Soares, Jr.	Member	Nov-18

Administration

Cecilia A. Massetti, Ed.D.

County Superintendent Since January 1, 2011

Dianna Marsh

Associate Superintendent Ed. Services Since July 1, 2015

Steve Carney

Chief Business and Administrative Services Officer Since July 1, 2015

MADERA COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

District Funded County Programs TK/K-3:	Second Period Report	Annual Report
County Community Schools	0	0
Special Education - Special Day Class Extended Year Special Education - Nonpublic,	59	59
Nonsectarian Schools	4	7
District Funded County Programs Grades 4-6:	**Second Period Report**	**Annual Report**
County Community Schools	0	0
Special Education - Special Day Class	55	55
Extended Year Special Education - Nonpublic,		
Nonsectarian Schools	3	6
District Funded County Programs Grades 7 and 8:	**Second Period Report**	**Annual Report**
County Community Schools	0	0
Special Education - Special Day Class Extended Year Special Education - Nonpublic,	44	44
Nonsectarian Schools	2	4
District Funded County Programs Grades 9-12:	**Second Period Report**	**Annual Report**
County Community Schools	0	0
Special Education - Special Day Class	133	131
Extended Year Special Education - Nonpublic,		13
Nonsectarian Schools	7	
Grades 9-12 Totals	140	144
Total District Funded County Programs	307	319

County Office of Education Elementary:	Second Period Report	Annual Report

MADERA COUNTY OFFICE OFEDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

Juvenile Halls, Homes and Camp	2	3
Probation Referred, On Probation or Parole, Expelled	0	0
Elementary Totals	2	3

Pioneer Technical Center Charter School: Charter Funded County Programs Grades 4-6:	**Second Period Report**	**Annual Report**
County Community Schools - Classroom-Based	0	0
County Community Schools - Non Classroom-Based	1	1
Grades 4-6 Totals	1	1

Charter Funded County Programs Grades 7 and 8:	**Second Period Report**	**Annual Report**
County Community Schools - Classroom-Based	0	0
County Community Schools - Non Classroom-Based	12	12
Grades 7 and 8 Totals	12	12

Charter Funded County Programs Grades 9-12:	**Second Period Report**	**Annual Report**
County Community Schools - Classroom-Based	65	61
County Community Schools - Non Classroom-Based	66	60

County Office of Education High School:	**Second Period Repor**	**Annual Report**
Juvenile Halls, Homes and Camp	51	55
Probation Referred, On Probation or Parole, Expelled	11	10
High School Totals	62	65
Total County Office of Education	64	68

MADERA COUNTY OFFICE OF EDUCATION

SCHEDULE OF AVERAGE DAILY ATTENDANCE (CONTINUED)

Grades 9-12 Totals Year Ended June 30, 2017	131	121
Total Charter Funded County Programs	144	134

County Office of Education Charter School	Second Period Report	Annual Report
Elementary: Probation Referred, On Probation or Parole, Expelled Classroom Based	0	0
Elementary: Probation Referred, On Probation or Parole, Expelled Non Classroom Based	0	0
Elementary Totals	0	0
High School: Probation Referred, On Probation or Parole, Expelled Classroom Based	20	18
High School: Probation Referred, On Probation or Parole, Expelled Non Classroom Based	5	5
High School Totals	25	23
Total County Office of Education Charter School	25	23
Total Pioneer Technical Center Charter School	169	157

Madera County Independent Academy Charter School Charter Funded County Programs	Second Period Report	Annual Report
TK/K-3: County Community Schools - Classroom Based	0	0
TK/K-3: County Community Schools - Non Classroom Based	5	5
TK/K-3 Totals	5	5
Grades 4 - 6: County Community Schools - Classroom Based	0	0
Grades 4 - 6: County Community Schools - Non Classroom Based	4	4
Grades 4 - 6 Totals	4	4
Grades 7 and 8: County Community Schools - Classroom Based	0	0
Grades 7 and 8: County Community Schools - Non Classroom Based	23	22
Grades 7 and 8 Totals	23	22
Grades 9 - 12: County Community Schools - Classroom Based	0	0
Grades 9 - 12: County Community Schools - Non Classroom Based	249	226
Grades 9 - 12 Totals	249	226
Total Charter Funded County Programs	281	257

MADERA COUNTY OFFICE OF EDUCATION

SCHEDULE OF AVERAGE DAILY
ATTENDANCE (Continued)

YEAR ENDED JUNE 30, 2017

County Office of Education Charter School	Second Period Report	Annual Report
Elementary: Probation Referred, On Probation or Parole, Expelled Non Classroom Based	1	1
High School: Probation Referred, On Probation or Parole, Expelled Non Classroom Based	6	5
Total County Office of Education Charter School	7	6
Total Madera County Independent Academy Charter School	288	263
ADA Totals	828	807

Average daily attendance is a measurement of the number of pupils attending classes of the Office 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 school districts. This schedule provides information regarding the attendance of students at various grade levels and in

different programs.

*The average daily attendance above is the original and audited amounts, since the office of Education did not have findings

that impact Second Period or Annual Reports average daily attendance.

Charter Schools Chartered by Office of Education	Included/Not Included
Pioneer Technical Center	Included
Madera County Independent Academy	Included

MADERA COUNTY OFFICE OF EDUCATION
PIONEER TECHNICAL CHARTER SCHOOL
SCHEDULE OF INSTRUCTIONAL TIME

YEAR ENDED JUNE 30 2017

Grade Level	Ed. Code 47612 Minutes Requirement	2016-2017 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64800	66780	180	N/A	In Compliance
Grade 10	64800	66780	180	N/A	In Compliance
Grade 11	64800	66780	180	N/A	In Compliance
Grade 12	64800	66780	180	N/A	In Compliance

School districts and charter schools must maintain their instructional minutes as defined in Education code section 46201 or 46207, as applicable. This schedule is required of all districts, including basic aid districts. As of June 30, 2017 the Charter School had not met its target funding. This schedule presents information on the amount of instructional time offered by the School and whether the School complied with the provisions of Education Code Sections 46201 through 46206.

MADERA COUNTY OFFICE OF EDUCATION
MADERA COUNTY INDEPENDENT ACADEMY
SCHEDULE OF INSTRUCTIONAL TIME

YEAR ENDED JUNE 30 2017

Grade Level	Ed. Code 47612 Minutes Requirement	2016-2017 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 1	50400	*	180	N/A	In Compliance
Grade 2	50400	*	180	N/A	In Compliance
Grade 3	50400	*	180	N/A	In Compliance
Grade 4	50400	*	180	N/A	In Compliance
Grade 5	50400	*	180	N/A	In Compliance
Grade 6	50400	*	180	N/A	In Compliance
Grade 7	50400	*	180	N/A	In Compliance
Grade 8	50400	*	180	N/A	In Compliance
Grade 9	50400	*	180	N/A	In Compliance
Grade 10	50400	*	180	N/A	In Compliance
Grade 11	50400	*	180	N/A	In Compliance
Grade 12	50400	*	180	N/A	In Compliance

*There was no classroom-based average daily attendance reported during 2016-17. 100% of the ADA reported reflects independent study. School districts and charter schools must maintain their instructional minutes as defined in Education code section 46201 or 46207, as applicable. This schedule is required of all districts, including basic aid districts. As of June 30, 2017 the Academy had not yet met its target funding. This schedule presents information on the amount of instructional time offered by the Academy and whether the Academy complied with the provisions of Education Code Sections 46201 through 46206.

MADERA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2017

General Fund (2)	(Budget 1) 2018	2017	2016	2015
Revenues and Other Financial sources	$33,812,771.00	$52,033,893.00	$36,162,116.00	$34,813,111.00
Expenditures	$35,833,210.00	$33,800,755.00	$34,467,699.00	$34,247,269.00
Other uses and transfers out	$84,912.00	$17,380,963.00	--	$29,371.00
Total Outgo	$35,918,122.00	$51,181,718.00	$34,467,699.00	$34,276,640.00
Change in Fund Balance (Deficit)	($2,105,351.00)	$852,175.00	$1,694,417.00	$536,471.00
Ending Fund Balance	$9,248,945.00	$11,354,296.00	$10,502,121.00	$8,807,704.00
Available Reserves (3)	$2,243,829.00	$1,942,944.00	$2,688,701.00	$2,590,548.00
Available Reserves as a percentage of total outgo	6.25%	3.80%	7.80%	7.56%
Total Long-Term debt	$56,933,635.00	$57,538,644.00	$54,667,901.00	$44,908,599.00
Average daily attendance	367	371	397	409

(1) Budget 2018 is included for analytical purposes only and has not been subjected to audit.

(2) Tile Deferred Maintenance Fund and The Special Reserve Fund for Post-Employment Benefits have been included due to their consolidation into the General Fund.

(3) Available reserves consist of all unassigned fund balance and all funds reserved for economic uncertainties contained within the General Fund.

This schedule discloses the Office 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 Office of Education's ability to continue as a going concern for a reasonable period of time.

The General Fund balance has increased by $2,546,592 over the past two years. The fiscal year 2017-18 budget projects a decrease of $2,105,351 (18.54%). For an Office of Education of this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The Office of Education has not incurred an operating deficit in the past three years, but does anticipate incurring an operating deficit during the 2017-18 fiscal year. Total long-term debt has increased by $12,630,045 over the past two years. This increase is a result of the Office of Education recognizing a net pension liability for its proportionate shares of the collective pension expense due to the adoption of GASB Statement No. 68 and GASB Statement No. 71 during the year ending June 30, 2015.

Average daily attendance has decreased by 38 ADA over the past two years. A decrease of four ADA is anticipated during fiscal year 2017-18.

MADERA COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Granter/Pass-Through Granter/ Program Title - U.S. Department of Health and Human Services: Passed Through Madera County Office of Education Medicaid Cluster:	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Medi-Cal Billing Option	93.778	10013	221,914.00
Medi-Cal Administrative Activities (MAA)	93.778	10060	18,261.00
Subtotal - Medicaid Cluster	--	--	24,175.00
Passed Through California Department of Education CCDF Cluster: Child Development: Local Planning Councils	93.575	13946	53,286.00
Passed Through California Department of Education CCDF Cluster: Child Development: Quality Improvement Activities	93.575	14869	53,357.00
Subtotal - CCDF Cluster	--	--	106,643.00
Total U.S. Department of Health and Human Services	--	--	346,818.00

Federal Granter/Pass-Through Granter/ Program Title - U.S. Department of Health and Human Services: Passed Through Madera County Office of Education Medicaid Cluster:	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Medi-Cal Billing Option	93.778	10013	221,914.00
Medi-Cal Administrative Activities (MAA)	93.778	10060	18,261.00
Subtotal - Medicaid Cluster	--	--	24,175.00
Passed Through California Department of Education CCDF Cluster: Child Development: Local Planning Councils	93.575	13946	53,286.00
Passed Through California Department of Education CCDF Cluster: Child Development: Quality Improvement Activities	93.575	14869	53,357.00
Subtotal - CCDF Cluster	--	--	106,643.00
Total U.S. Department of Health and Human Services	--	--	346,818.00

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/Pass-Through Grantor/Program or Cluster	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture: Passed through Madera County Office of Education: Forest Service Schools and Roads Cluster:			
Forest Reserve Funds	10.665	10044	16,277.00
Forest Reserve Funds (Pass Thru)	10.665	10044	92,234.00
Subtotal - Forest Service Schools and Roads Cluster	--	--	108,511.00
Total U.S. Department of Agriculture	--	--	108,511.00
Total Expenditures of Federal Awards	--	--	11,602,120.00

The accompanying notes are an integral part of this schedule.

MADERA COUNTY OFFICE OF EDUCATION SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED
JUNE 30, 2017

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Madera County Office 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 the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Office of Education, it is not intended to and does not present the financial position or changes in financial position of the Office of Education.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

The Office of Education has elected not to use the 10-percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Reconciliation of Expenditures

Reconciliation of expenditures per schedule of federal grant activity with the federal revenue reported on the Office of Education's Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds follows:

Governmental Funds	Amount
Schedule of Expenditures of Federal Awards	11,602,120.00
Medi-Cal Administrative Activities funds received in 2016-17	304,358.00
Medi-Cal Administrative Activities funds spent in 2016-17	(18,261.00)
Medi-Cal Billing Option funds received in 2016-17	260,733.00
Medi-Cal Billing Option funds spent in 2016-17	(221,914.00)
Rounding	2
Federal Revenue Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	11,927,038.00

MADERA COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Statements	General Fund	Charter School Fund
June 20, 2017 Annual Financial and Budget Report (SACS) Fund Balances	$11,537,634.00	$3,328,637.00
Adjustments and reclassigications: Increasing (Decreasing) the fund balance Due from other funds (overstatement)	($183,383.00)	--
Adjustments and reclassigications: Increasing (Decreasing) the fund balance Due to other funds overstatement	--	$183,338.00
Net adjustment and reclassifications	($183,383.00)	$183,338.00
June 30, 2017, audited financial statement fund balances	$11,354,296.00	$3,511,975.00

Statements	Non Current Liabilities
June 20, 2017 Annual Financial and Budget Report (SACS) Form Debt	$53,160,523.00
Adjustments and reclassigications: Increasing (Decrease) in total liabilities: Captial Leases	$10.00
Adjustments and reclassigications: Increasing (Decrease) in total liabilities: Net Pension Liability	$3,817,063.00
Adjustments and reclassigications: Increasing (Decrease) in total liabilities: Net OPEB Obligation	$561,048.00
Net Adjustemtns and Reclassifications	$4,378,121.00
June 30, 2017 Noncurrent Liabilites	$57,538,644.00

This schedule provides the information necessary to reconcile the fund balances of all funds and the total long-term liabilities as reported on the annual financial and budget report to the audited financial statements. Funds that required no adjustment are not presented.

Other Independent Auditor's Reports

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

Board of Trustees

Madera County Office of Education Madera, 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 Madera County Office of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Madera County Office of Education's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Madera County Office of Education'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 Madera County Office of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

Fresno, California

December 12, 2017

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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Fresno, California

December 12, 2017

Independent Auditor's Report on State Compliance

Board of Trustees

Madera County Office of Education Madera, California

Report on State Compliance

We have audited Madera County Office of Education's, (the Office of Education) 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* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the Office of Education's state programs identified below for the fiscal year ended June 30, 2017.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Office 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 State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Office 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 Office of Education's compliance with the state laws and regulations applicable to the following items:

LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS: Compliance Requirements	Procedures in Auditing Guide Performed?
Attendance Accounting: Attendance Reporting	Yes
Attendance Accounting: Teacher Certification and Misassignments	Yes
Attendance Accounting: Kindergarten Continuance	N/A
Attendance Accounting: Independent Study	N/A
Attendance Accounting: Continuation Education	N/A
Instructional Time: School Districts	N/A
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	N/A

Classroom Teacher Salaries	N/A
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

School Districts, County Offices of Education, and Charter Schools	Procedures in Auditing Guide Performed?
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
Transportation Maintenance of Effort	Yes
After School Education and Safety Program: After School	N/A
After School Education and Safety Program: Before School	N/A
After School Education and Safety Program: General Requirements	N/A
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	N/A
immunizations	Yes

Charter Schools	Procedures in Auditing Guide Performed?
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	Yes
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the Office of Education did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Madera County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its state programs for the year ended June 30, 2017

Fresno, California

December 12, 2017

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

Board of Trustees

Madera County Office of Education Madera,
California

Report on Compliance for Each Major Federal Program

We have audited Madera County Office of Education's compliance with the types of compliance requirements described in the *0MB Compliance Supplement* that could have a direct and material effect on each of Madera County Office of Education's major federal programs for the year ended June 30, 2017. Madera County Office 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.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Madera County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major

federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Madera County Office of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madera County Office of Education 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 our 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 Madera County Office of Education's internal control over compliance.

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

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

Fresno, California

Findings and Recommendations Section

MADERA COUNTY OFFICE OF EDUCATION

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

Summary of Auditor's Results	**Unmodified**

State Awards	Unmodified
Finacial statements, Types of Auditor's report issued; Internal control over financial reporting Material Weakness (es) identified No	
Significant deficiency (ies) identified not considered to be material weakness (es)	None reported
Non compliance Material to financial statemens noted?	No

Federal Awards	Unmodified
Internal control over major programs: Material weakness (es) identified?	No
Significant deficiency (ies) identified not considered to be material weakness (es)	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 00.516(a)	No

Identification of major programs	Name of Federa Program or Cluster
CFDA Number(s) 84.027, 84.027A, 84.173, 84.173A, 93.778	Special Educationas (IDEA) Cluster Medicaid Cluster
Dollar Threshold used to distinguish between Type A and Type B programs	$750,000.00
Auditee qualified as low-risk Auditee?	Yes

Internal control over stateprograms: M aterial weakness (es) identified?	No
Signigicant deficiency (ies) identified not considered to be material weakness (es)	None Reported
Type of auditor's report issued on compliance for state programs:	Unmodified

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2017

There are no current year findings.

There are no current year findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2017

1. Finding/Recommendation

During our analysis of attendance records, we noted that the P-2 and Annual Reports of Attendance for County Operated Programs was incorrectly prepared. The summary spreadsheets used to consolidate the information reported on the P-2 and Annual Reports incorrectly classified ADA for two Districts of Residence.

It was also noted that the ADA for Extended Year Special Education for Students in Transitional Kindergarten pursuant to EC 46300 included in Section A of the P-2 and Annual Reports of Attendance was not separately listed on line 8-5 for two of the Districts of Residence.

It was recommended that the Office of Education review the preparation of the P-2 and Annual Reports of Attendance, along with the supporting documentation, to make sure errors are corrected with a revised submission to the California Department of Education

Current Status

Implemented

Office of Education Explanation if Not Implemented

Not Applicable

2. **Finding/Recommendation**

During our analysis of the County Office of Education's certified "1.18 - FRPM/English Learner/Foster Youth-Student List" report we noted eight students that were inappropriately reported in the unduplicated pupil counts for two sites that were selected for testing.

The County Office of Education incorrectly reported five students related to free or reduced priced meal eligible (FRPM) due to incorrect information provided from the Golden Valley School District of Residence site as well as clerical errors in inputting information provided by the site. Two students were not reported on the List that should have been reported as Free, one student was reported as Reduced that should not have been reported on the List, one student was reported as Free that should not have been reported on the List, and one student was reported as Reduced that should have been reported as Free on the List. The entire population of Golden Valley School District of Residence students on the List (11 students) were audited due to an initial error found.

Also, the County Office of Education incorrectly reported three students at the Pioneer Technical Center Charter School site as English Learner (EL) eligible due to an overall lack of oversight of the EL program at that site. The entire population of only EL designated students on the List at the Pioneer Technical Center Charter School site (5 students) was audited due to an initial error found.

It was recommended that the Office of Education establish procedures to review the input of CALPADS data relating to eligibility for Foster Youth and ensure the proper reporting of pupil counts provided by the District of Residence sites. The Office of Education should also establish proper oversight procedure of the English Learner program at Pioneer Technical Center Charter School.

Current Status

Implemented

Office of Education Explanation if Not Implemented

Not Applicable