

**SUTTER COUNTY
SUPERINTENDENT OF SCHOOLS**

FINANCIAL STATEMENTS

June 30, 2018

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	9
STATEMENT OF ACTIVITIES.....	10
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS.....	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES.....	14
STATEMENT OF NET POSITION - INTERNAL SERVICE FUND - SELF-INSURANCE FUND.....	15
STATEMENT OF CHANGE IN NET POSITION - INTERNAL SERVICE FUND - SELF- INSURANCE FUND.....	16
STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND - SELF-INSURANCE FUND.....	17
STATEMENT OF NET POSITION - ENTERPRISE FUND - OTHER ENTERPRISE FUND.....	18
STATEMENT OF CHANGE IN NET POSITION - ENTERPRISE FUND - OTHER ENTERPRISE FUND.....	19
STATEMENT OF CASH FLOWS - ENTERPRISE FUND - OTHER ENTERPRISE FUND.....	20
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS.....	21
NOTES TO FINANCIAL STATEMENTS.....	22

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018
(Continued)

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

COUNTY SCHOOL SERVICE FUND BUDGETARY COMPARISON SCHEDULE.....	47
SCHEDULE OF CHANGES IN THE COUNTY OFFICE'S TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY.....	48
SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	49
SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS.....	51
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	53

SUPPLEMENTARY INFORMATION:

COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS.....	54
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS.....	55
ORGANIZATION.....	56
SCHEDULE OF AVERAGE DAILY ATTENDANCE.....	57
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS.....	58
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS.....	60
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED.....	61
SCHEDULE OF CHARTER SCHOOLS.....	62
NOTES TO SUPPLEMENTARY INFORMATION.....	63
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	65
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 <i>GOVERNMENT AUDITING STANDARDS</i>	68

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018
(Continued)

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	70
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	72
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	76

INDEPENDENT AUDITOR'S REPORT

Board of Education
Sutter County Superintendent of Schools
Yuba City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sutter County Superintendent of Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Sutter County Superintendent of Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the County Office implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This resulted in a restatement of the beginning net position of \$(1,105,496). Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 8 and the County School Service Fund Budgetary Comparison Schedule, the Schedule of Changes in the County Office's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the County Office's Proportionate Share of the Net Pension Liability, and the Schedule of the County Office's Contributions on pages 47 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sutter County Superintendent of Schools' basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of Sutter County Superintendent of Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sutter County Superintendent of Schools' internal control over financial reporting and compliance.

Crowe LLP

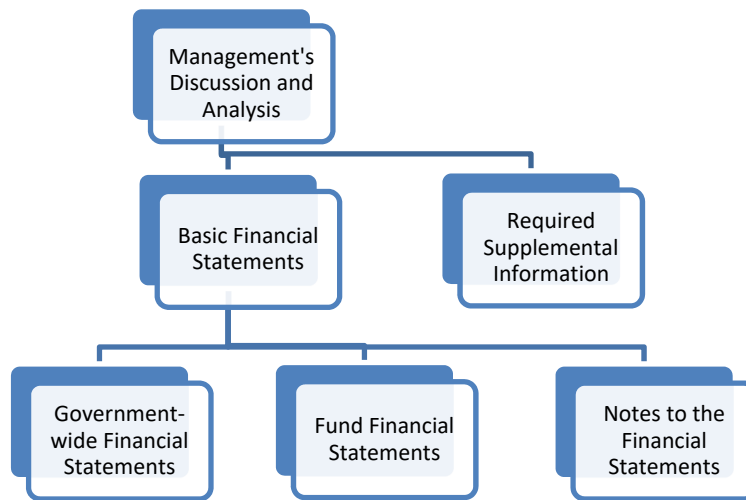
Crowe LLP

Sacramento, California
December 14, 2018

This section of Sutter County Superintendent of Schools (County Office) annual financial report represents our discussion and analysis of the County Office’s financial performance during the fiscal year ending on June 30, 2018. We encourage readers to consider the information presented in conjunction with information which is furnished in the financial statements that follow this section.

Overview of the Financial Statements

This report consists of the following three sections: management’s discussion and analysis (this section), the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the County Office: government-wide financial statements and fund financial statements. The financial statements may also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.



Government-wide Financial Statements

Government-wide financial statements report information about Sutter County Superintendent of Schools as a whole using accounting methods similar to those used by private-sector businesses. This means the statements take into account all revenues and expenses related to the fiscal year, regardless of when the cash involved is received or paid. The government-wide statements do not include programs and activities that are fiduciary in nature because their resources may not be used to support the operations of the Sutter County Superintendent of Schools.

The two government-wide statements report the County Office’s net position and how it has changed. Net position, or the difference between the County Office’s assets and liabilities, is one way to measure the County Office’s financial position. Increases or decreases in the County Office’s net position are indicators of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements are reported in two categories:

- Governmental Activities include the basic instructional services, support services, debt service payments, and capital equipment purchases. Local Control Funding Formula funds, state grants, federal grants, and interest earnings finance the majority of these activities.
- Business-type Activities reflect the operations of the Shady Creek Outdoor Education Program facility during non-student times such as weekends when the facility is available to outside groups for a fee. The revenues generated from these activities are transferred to the general program in an effort to reduce student cost.

Fund Financial Statements

The fund financial statements provide more detailed information regarding three major categories of funds: governmental funds, proprietary funds, and fiduciary funds. Funds are the accounting devices the County Office uses to keep track of specific sources of funding and expenditures/expenses for particular activities or objectives. The Sutter County Superintendent of Schools, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements.

1. **Governmental funds** are used to account for most of the County Office's basic services. The governmental funds provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance County Office operations. The primary differences between the government-wide and fund statements relate to capital assets, and long-term liabilities, which are reported in the government-wide financial statements, but not in the fund-based statements. Capital assets are items such as land and buildings, and long-term liabilities are items such as bonded debt, net pension liability, amounts owed for compensated absences, and capital lease obligations.
2. **Proprietary funds** are used to show activities that operate more like entities found in the private sector. The County Office operates two proprietary funds: an enterprise fund for the Shady Creek Outdoor Education Program facility and a self-insurance fund for post-employment health care benefits for eligible retired employees.
3. **Fiduciary funds** are used to account for resources held for the benefit of external parties. Fiduciary funds are not reported in the government-wide financial statements because the resources of these funds are not available to support the operations of the Sutter County Superintendent of School's programs.

Financial Analysis of the County Office

Net Position

On June 30, 2018, total net position from governmental activities decreased by \$671 thousand over the prior year. This 5.6% decrease, although there are several small changes that offset each other, is primarily due to the impact of pensions and OPEB costs on the financial statements.

Investment in capital assets, net of related debt, represents \$20.0 million of the Sutter County Superintendent of School's total net position. This includes investment in items such as land, buildings, and capital equipment. Another \$10.5 million of the Sutter County Superintendent of Schools' net position represents resources that are subject to external restrictions on how they may be used. Any final positive remaining net position represents unrestricted assets, which may be used to meet ongoing obligations, though certain laws and internally imposed designations on resources may further limit the purpose for which those assets may be used.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the County Office, consisting of net pension liability, other post-employment benefits and compensated absences payable have been reported in this manner on the Statement of Net Position.

As shown on the Statement of Net Position, the County Office’s total activities at the end of the fiscal year reflected assets of \$42.6 million and liabilities of \$38.2 million. The largest assets of the fund are \$19.2 million in cash, \$16.9 million in depreciable capital assets, and \$3.0 million in non-depreciable assets. The largest liabilities are long-term liabilities of \$32.6 million.

Fund Level Highlights

As of June 30, 2018, the Sutter County Superintendent of Schools’ governmental funds reported a combined ending fund balance of \$12.4 million, an increase of \$75 thousand compared to the prior fiscal year.

Fund Financial Analysis

The Balance Sheet of the governmental funds reported \$18.3 million in assets, \$5.9 million in liabilities, and \$12.4 million in fund balances as of June 30, 2018. Total assets primarily consist of cash balances of \$14.6 million and accounts receivable of \$2.5 million, while total liabilities primarily consist of \$2.1 million in accounts payable, \$1.2 million due to other funds, and \$2.6 million in unearned revenue.

Governmental Funds				
Condensed Balance Sheet as of June 30, 2018				
	County School Service Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Governmental Funds Total
Assets				
Cash	\$ 12,642,561	\$ 1,900,298	\$ 93,463	\$ 14,636,322
Receivables	2,391,288	-	173,680	2,564,968
Prepaid Expenses	554,899	-	2,204	557,103
Due from Other Funds	432,737	100,000	78,043	610,780
Total Assets	\$ 16,021,485	\$ 2,000,298	\$ 347,390	\$ 18,369,173
Liabilities				
Accounts Payable	\$ 1,846,649	\$ -	\$ 272,361	\$ 2,119,010
Due to Grantor Governments	17,406	-	-	17,406
Due to Other Funds	1,164,757	-	39,468	1,204,225
Unearned Revenue	2,582,035	-	35,561	2,617,596
Total Liabilities	\$ 5,610,847	\$ -	\$ 347,390	\$ 5,958,237
Fund Balances	\$ 10,410,638	\$ 2,000,298	\$ -	\$ 12,410,936

Within the total \$12.4 million in fund balance, \$5.9 million is reserved for specific programs by federal or state law, external constraints, or by contractual obligations, as well as internally imposed restrictions. A total of \$1.7 million is designated for economic uncertainties, \$4.2 million is assigned for specific purposes, and the remaining \$567 thousand represents amounts that are generally unrestricted reserves which have been designated as “nonspendable” to cover amounts for prepaid expenditures and revolving cash.

The Statement of Revenues, Expenditures, and Change in Fund Balances of the governmental funds shows \$36.7 million in revenues and \$34.7 million in expenditures. The largest source of revenue is Other Local Sources representing \$12.0 million (32.6%), followed by Other State Sources for specific programs of

\$10.5 million (28.7%). The largest area of expenditure was direct student services totaling \$26.4 million (76.2%). The ending fund balance of the governmental funds for the year ending June 30, 2018 is \$12.4 million, which represents an increase of \$75 thousand (0.6%) from the prior year.

Governmental Funds

The Sutter County Superintendent of Schools’ major governmental funds includes the County School Service Fund, commonly called the General Fund and the Special Revenue Fund (Fund 17). The County School Service Fund is the Sutter County Superintendent of Schools’ main operating fund. The Special Revenue Fund is used to earmark funds for long-term planning and projects. For example, money set aside to refund long-term debt may be transferred to Fund 17. All other governmental funds are considered non-major funds for financial reporting purposes. The County School Service Fund, including the Special Revenue Fund, ended the most recent fiscal year with a fund balance of \$10.4 million, while the non-major governmental funds reported a combined ending balance of \$2.0 million.

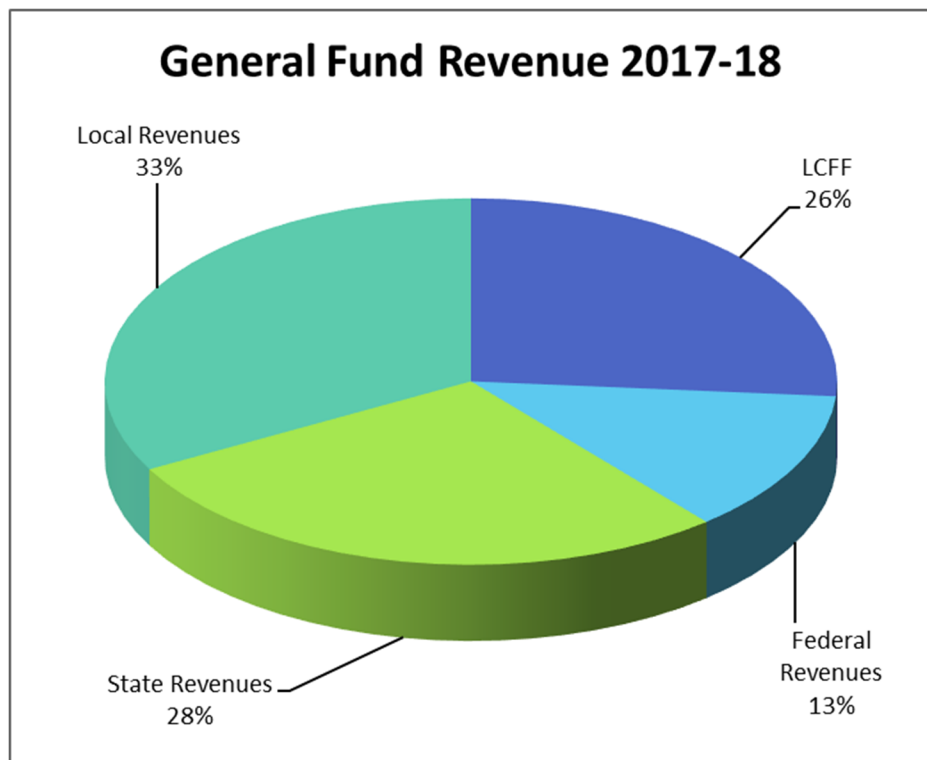
On the Statement of Revenues, Expenditures, and Change in Fund Balances for the governmental funds, the County School Service Fund had revenues of \$35.6 million and \$33.1 million in expenditures for the year ending June 30, 2018. The largest source of revenues for the County School Service Fund was \$11.7 million from Other Local Sources followed by \$10.0 million from Other State Sources for specific programs. The County School Service Fund’s ending balance as of June 30, 2018 was \$10.4 million, which represents an increase of \$142 thousand compared to the prior year.

Fiduciary Funds

The Sutter County Superintendent of Schools has two fiduciary funds, which are both agency funds. These agency funds – Student Body Fund and the Payroll Trust Fund – act as clearing accounts and therefore do not have net assets.

Proprietary Funds

The Sutter County Superintendent of Schools has two proprietary funds: an internal service fund, the “Self-Insurance Fund,” and an enterprise fund, the “Other Enterprise Fund.” The Self-Insurance Fund, established in 2006-07, is used to pay post-employment health care benefits for eligible employees. The net position of the Self-Insurance Fund is \$4.6 million as of June 30, 2018, which is an increase of \$3.0 million. The Other Enterprise Fund is used to account for the revenue and expenses for use of the Shady Creek facility by outside agencies during



student non-attendance days. Typically, the fund does not have a positive net position since excess revenue is transferred to the general fund to help offset the educational program cost for Shady Creek.

Capital Asset and Long-Term Liabilities

Capital Assets

The Sutter County Superintendent of Schools investment in capital assets as of June 30, 2018 totaled \$20.0 million (net of accumulated depreciation), which is a 2.5% increase of \$485 thousand. The majority of this increase results from Proposition 39 improvements, building renovation to accommodate staffing and improvements and repairs to the outdoor education facilities.

Long-Term Liabilities

The Sutter County Superintendent of Schools did not make any purchases in 2017-18 that would require long-term debt.

Economic Outlook and Future Budgets

Although the federal and state economies have shown growth, the Sutter County Superintendent of Schools continues to maintain its conservative approach to fiscal matters. The budget for the State of California shows continued improvement but with the end of the current Governor's term, change is expected. Locally, unemployment continues to be high compared to the rest of the State, but has substantially improved and growth in the county has leveled off after many years of steady growth. With these economic factors in mind, Sutter County Superintendent of Schools will continue to monitor reserves and adjust services as needed in the best interest of students in the community while maintaining its current positive position.

Requests for Information

This financial report is designed to provide a general overview of the Sutter County Superintendent of Schools' finances to interested parties. Questions concerning the information provided in this report, or requests for additional information should be addressed to the Sutter County Superintendent of Schools Office, Business Services, 970 Klamath Lane, Yuba City, CA 95993.

BASIC FINANCIAL STATEMENTS

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$ 19,247,720	\$ 131,961	\$ 19,379,681
Receivables	2,564,968	2,091	2,567,059
Internal balances	239,749	(55,629)	184,120
Prepaid expenses	557,103	-	557,103
Non-depreciable capital assets (Note 4)	3,073,435	-	3,073,435
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>16,899,171</u>	<u>-</u>	<u>16,899,171</u>
Total assets	<u>42,582,146</u>	<u>78,423</u>	<u>42,660,569</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions (Notes 7 and 8)	9,129,556	29,726	9,159,282
Deferred outflows of resources - OPEB (Note 9)	<u>190,279</u>	<u>-</u>	<u>190,279</u>
Total Deferred Outflows of Resources	<u>9,319,835</u>	<u>29,726</u>	<u>9,349,561</u>
LIABILITIES			
Accounts payable	2,952,204	44,271	2,996,475
Unearned revenue	2,617,596	34,152	2,651,748
Due to grantor governments	17,406	-	17,406
Long-term liabilities (Note 5):			
Due within one year	24,852	-	24,852
Due after one year	<u>32,452,569</u>	<u>94,538</u>	<u>32,547,107</u>
Total liabilities	<u>38,064,627</u>	<u>172,961</u>	<u>38,237,588</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>1,860,716</u>	<u>1,284</u>	<u>1,862,000</u>
NET POSITION			
Net investment in capital assets	19,972,606	-	19,972,606
Restricted:			
Legally restricted programs	3,918,798	-	3,918,798
Capital projects	2,000,298	-	2,000,298
Internal service	4,611,398	-	4,611,398
Unrestricted	<u>(18,526,462)</u>	<u>(66,096)</u>	<u>(18,592,558)</u>
Total net position	<u>\$ 11,976,638</u>	<u>\$ (66,096)</u>	<u>\$ 11,910,542</u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	\$ 13,926,789	\$ 4,473,510	\$ 6,087,199	\$ -	\$ (3,366,080)	\$ -	\$ (3,366,080)
Instruction-related services:							
Supervision of instruction	5,031,884	501,487	2,746,211	-	(1,784,186)	-	(1,784,186)
Instructional library, media and technology	8,072	919	3,475	-	(3,678)	-	(3,678)
School site administration	2,904,836	271,681	798,278	-	(1,834,877)	-	(1,834,877)
Pupil services:							
Food services	394,141	57,649	-	-	(336,492)	-	(336,492)
All other pupil services	3,544,230	894,790	2,305,756	-	(343,684)	-	(343,684)
General administration:							
Data processing	1,347,974	-	-	-	(1,347,974)	-	(1,347,974)
All other general administration	3,495,187	499,152	978,302	-	(2,017,733)	-	(2,017,733)
Plant services	1,686,345	458,303	261,622	-	(966,420)	-	(966,420)
Community services	2,373,404	590,889	1,407,200	-	(375,315)	-	(375,315)
Enterprise activities	372,040	28,666	1,422	-	(341,952)	-	(341,952)
Other outgo	1,122,534	1,510,074	-	-	387,540	-	387,540
Business-type activities:							
Enterprise activities	<u>334,726</u>	<u>391,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,384</u>	<u>56,384</u>
Total governmental and business-type activities	<u>\$ 36,542,162</u>	<u>\$ 9,678,230</u>	<u>\$ 14,589,465</u>	<u>\$ -</u>	<u>(12,330,851)</u>	<u>56,384</u>	<u>(12,274,467)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					1,453,208	-	1,453,208
Federal and state aid not restricted to specific purposes					9,066,080	-	9,066,080
Interest and investment earnings					301,487	440	301,927
Interagency revenues					1,366,886	-	1,366,886
Miscellaneous					758,805	-	758,805
Internal transfers					<u>55,620</u>	<u>(55,620)</u>	<u>-</u>
Total general revenues					<u>13,002,086</u>	<u>(55,180)</u>	<u>12,946,906</u>
Change in net position					<u>671,235</u>	<u>1,204</u>	<u>672,439</u>
Net position, July 1, 2017					<u>12,410,899</u>	<u>(67,300)</u>	<u>12,343,599</u>
Cumulative effect of GASB 75 Implementation					(1,105,496)	-	(1,105,496)
Net position, July 1, 2017, as restated					<u>11,305,403</u>	<u>(67,300)</u>	<u>11,238,103</u>
Net position, June 30, 2018					<u>\$ 11,976,638</u>	<u>\$ (66,096)</u>	<u>\$ 11,910,542</u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	County School Service Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 12,627,561	\$ 1,900,298	\$ 93,463	\$ 14,621,322
Cash in revolving funds	10,000	-	-	10,000
Cash with Fiscal Agent	5,000	-	-	5,000
Receivables	2,391,288	-	173,680	2,564,968
Due from other funds	432,737	100,000	78,043	610,780
Prepaid expenditures	<u>554,899</u>	<u>-</u>	<u>2,204</u>	<u>557,103</u>
Total assets	<u>\$ 16,021,485</u>	<u>\$ 2,000,298</u>	<u>\$ 347,390</u>	<u>\$ 18,369,173</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,846,649	\$ -	\$ 272,361	\$ 2,119,010
Due to grantor governments	17,406	-	-	17,406
Due to other funds	1,164,757	-	39,468	1,204,225
Unearned revenue	<u>2,582,035</u>	<u>-</u>	<u>35,561</u>	<u>2,617,596</u>
Total liabilities	<u>5,610,847</u>	<u>-</u>	<u>347,390</u>	<u>5,958,237</u>
Fund balances:				
Nonspendable	564,899	-	2,204	567,103
Restricted	3,918,798	2,000,298	-	5,919,096
Assigned	4,176,629	-	-	4,176,629
Unassigned	<u>1,750,312</u>	<u>-</u>	<u>(2,204)</u>	<u>1,748,108</u>
Total fund balances	<u>10,410,638</u>	<u>2,000,298</u>	<u>-</u>	<u>12,410,936</u>
Total liabilities and fund balances	<u>\$ 16,021,485</u>	<u>\$ 2,000,298</u>	<u>\$ 347,390</u>	<u>\$ 18,369,173</u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - Governmental Funds \$ 12,410,936

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$26,895,747 and the accumulated depreciation is \$6,923,141 (Note 4). 19,972,606

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2018 consisted of (Note 5):

Net pension liability (Notes 7 and 8)	\$ (29,540,462)	
Total OPEB liability (Note 9)	(2,912,107)	
Compensated absences	<u>(24,852)</u>	(32,477,421)

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the Statement of Net Position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8):

Deferred outflows of resources relating to pensions	\$ 9,129,556	
Deferred inflows of resources relating to pensions	<u>(1,860,716)</u>	7,268,840

Internal service funds are used to conduct certain activities for which costs are charged to other funds. Assets and liabilities are reported with governmental activities in the Statement of Net Position. 4,611,398

In government funds, deferred outflows and inflows of resources relating to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the Statement of Net Position, deferred outflows and inflows of resources relating to OPEB are reported (Note 9): 190,279

Total net position - governmental activities \$ 11,976,638

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	County School Service Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 7,910,693	\$ -	\$ -	\$ 7,910,693
Local sources	<u>1,453,207</u>	<u>-</u>	<u>-</u>	<u>1,453,207</u>
Total LCFF	<u>9,363,900</u>	<u>-</u>	<u>-</u>	<u>9,363,900</u>
Federal sources	4,485,685	-	363,191	4,848,876
Other state sources	10,019,097	-	491,791	10,510,888
Other local sources	<u>11,753,299</u>	<u>-</u>	<u>199,090</u>	<u>11,952,389</u>
Total revenues	<u>35,621,981</u>	<u>-</u>	<u>1,054,072</u>	<u>36,676,053</u>
Expenditures:				
Current:				
Certificated salaries	8,224,661	-	281,809	8,506,470
Classified salaries	10,813,619	-	551,528	11,365,147
Employee benefits	6,277,828	-	263,626	6,541,454
Books and supplies	733,333	-	192,197	925,530
Contract services and operating expenditures	5,090,321	-	228,604	5,318,925
Other outgo	1,122,535	-	-	1,122,535
Capital outlay	<u>876,847</u>	<u>-</u>	<u>-</u>	<u>876,847</u>
Total expenditures	<u>33,139,144</u>	<u>-</u>	<u>1,517,764</u>	<u>34,656,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,482,837</u>	<u>-</u>	<u>(463,692)</u>	<u>2,019,145</u>
Other financing (uses) sources:				
Transfers in	187,096	100,000	427,834	714,930
Transfers out	<u>(2,527,834)</u>	<u>-</u>	<u>(131,476)</u>	<u>(2,659,310)</u>
Total other financing (uses) sources	<u>(2,340,738)</u>	<u>100,000</u>	<u>296,358</u>	<u>(1,944,380)</u>
Net change in fund balances	142,099	100,000	(167,334)	74,765
Fund balances, July 1, 2017	<u>10,268,539</u>	<u>1,900,298</u>	<u>167,334</u>	<u>12,336,171</u>
Fund balances, June 30, 2018	<u>\$ 10,410,638</u>	<u>\$ 2,000,298</u>	<u>\$ -</u>	<u>\$ 12,410,936</u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - Total Governmental Funds	\$	74,765
Amounts reported for governmental activities in the Statement of Activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the Statement of Net Position (Note 4).		1,226,322
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).		(741,347)
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In government-wide statements, other postemployment benefits are recognized on the accrual basis (Notes 5 and 9).		(22,623)
In the Statement of Activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).		(1,706)
In governmental funds, pension costs are recognized when employer contributions are made. In the Statement of Activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8).		(1,912,115)
Net revenues of the Self-Insurance Fund are reported with governmental activities in the Statement of Activities.		<u>2,047,939</u>
Change in net position of governmental activities	\$	<u><u>671,235</u></u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF NET POSITION -
INTERNAL SERVICE FUND
SELF-INSURANCE FUND
June 30, 2018

ASSETS

Cash in County Treasury \$ 4,611,398

NET POSITION

Restricted for self-insurance activities \$ 4,611,398

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF CHANGE IN NET POSITION -
INTERNAL SERVICE FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2018

Operating revenues:	
Self-insurance premiums	\$ 204,472
Transfers in	<u>2,000,000</u>
Total operating revenues	2,204,472
Operating expenses:	
Contract services and operating expenses	<u>363,540</u>
Operating income	<u>1,840,932</u>
Non-operating revenue:	
Interest income	35,252
Other local revenue	<u>171,755</u>
Total non-operating revenue	<u>207,007</u>
Change in net position	2,047,939
Net position, July 1, 2017	<u>2,563,459</u>
Net position, June 30, 2018	<u><u>\$ 4,611,398</u></u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 3,207,377
Cash paid for services	<u>(363,540)</u>
Net cash provided by operating activities	<u>2,843,837</u>
Cash flows provided by investing activities:	
Interest income received	<u>35,252</u>
Cash flows provided by financing activities:	
Cash received from other local sources	<u>171,755</u>
Increase in Cash in County Treasury	3,050,844
Cash in County Treasury, July 1, 2017	<u>1,560,554</u>
Cash in County Treasury, June 30, 2018	<u><u>\$ 4,611,398</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 1,840,932</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in:	
Receivables	5,085
Due from other funds	1,000,000
Decrease in:	
Unearned revenues	<u>(2,180)</u>
Total adjustments	<u>1,002,905</u>
Net cash provided by operating activities	<u><u>\$ 2,843,837</u></u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF NET POSITION -
ENTERPRISE FUND
OTHER ENTERPRISE FUND
June 30, 2018

ASSETS

Cash in County Treasury (Note 2)	\$ 131,961
Receivables	<u>2,091</u>
Total assets	<u>134,052</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - pensions (Notes 7 and 8)	<u>29,726</u>
---	---------------

LIABILITIES

Current liabilities:	
Accounts payable	44,271
Deferred revenue	34,152
Due to other funds	<u>55,629</u>
Total current liabilities	<u>134,052</u>
Net pension liability - long-term (Notes 7 and 8)	<u>94,538</u>
Total liabilities	<u>228,590</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - pensions (Notes 7 and 8)	<u>1,284</u>
--	--------------

NET POSITION

Unrestricted	<u><u>\$ (66,096)</u></u>
--------------	---------------------------

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF CHANGE IN NET POSITION -
ENTERPRISE FUND
OTHER ENTERPRISE FUND
For the Year Ended June 30, 2018

Operating revenues:	
Other local revenue	<u>\$ 391,550</u>
Operating expenses:	
Classified salaries	103,376
Employee benefits	90,645
Books and supplies	113,879
Contract services and operating expenses	<u>26,826</u>
Total operating expenses	<u>334,726</u>
Operating income	<u>56,824</u>
Non-operating revenue (expense):	
Transfer out	<u>(55,620)</u>
Total non-operating revenue (expense)	<u>(55,620)</u>
Change in net position	1,204
Net position, July 1, 2017	<u>(67,300)</u>
Net position, June 30, 2018	<u><u>\$ (66,096)</u></u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF CASH FLOWS -
ENTERPRISE FUND
OTHER ENTERPRISE FUND
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from local sources	\$ 423,424
Cash paid for employee benefits and operating expenses	<u>(275,513)</u>
Net cash provided by operating activities	147,911
Cash flows used in financing activities:	
Transfer from other funds	(243,166)
Transfer to other funds	<u>38,487</u>
Net cash used in financing activities	<u>(204,679)</u>
Decrease in Cash in County Treasury	(56,768)
Cash in County Treasury, July 1, 2017	<u>188,729</u>
Cash in County Treasury, June 30, 2018	<u><u>\$ 131,961</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 56,824</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in:	
Receivables	65,022
Deferred outflows of resources	(29,726)
Decrease (increase) in:	
Accounts payable	(6,883)
Unearned revenue	(33,148)
Net pension liability	94,538
Deferred inflows of resources	<u>1,284</u>
Total adjustments	<u>91,087</u>
Net cash provided by operating activities	<u><u>\$ 147,911</u></u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

	<u>Special Education Pass-through Fund</u>	<u>Student Body Funds</u>
ASSETS		
Cash on hand and in banks (Note 2)	\$ -	\$ 3,179
Cash in County Treasury (Note 2)	62,987	-
Receivables	3,417,657	-
Due from other funds	<u>833,194</u>	<u>-</u>
Total assets	<u>\$ 4,313,838</u>	<u>\$ 3,179</u>
LIABILITIES		
Accounts payable	\$ 4,129,718	\$ -
Due to other funds	184,120	-
Due to student groups	<u>-</u>	<u>3,179</u>
Total liabilities	<u>\$ 4,313,838</u>	<u>\$ 3,179</u>

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

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Major Funds

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

The Special Reserve for Capital Outlay Projects Fund is an Capital Projects Fund used to account for resources used for the acquisition or construction of capital facilities and equipment by the County Office.

B - Other Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This classification includes the Adult Education, Child Development and Cafeteria Funds.

The Self-Insurance Fund is an internal service fund used to account for services rendered on a cost-reimbursement basis within the County Office.

The Other Enterprise Fund is a business-type activity that is used to account for activities of the Shady Creek Outdoor School Program.

The Special Education Pass-Through Fund is an agency fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for special education programs operated by various school districts within the county.

The Student Body Funds account for the receipt and disbursement of monies from the student body clubs and activities of schools within the County Office. Individual totals, by school and program, are maintained within the County Office's accounting system.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Receivables: Receivables consist of amounts due from the federal, state and local government, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the County Office's grants and contracts. The County Office has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

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

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The County Office has recognized a deferred outflow of resources related to the recognition of the net pension liability and total OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The County Office has recognized a deferred inflow of resources related to the recognition of the net pension liability reported which is in the Statement of Net Position.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	STRP	PERF B	Total
Deferred outflows of resources	\$ 4,156,938	\$ 5,002,344	\$ 9,159,282
Deferred inflows of resources	\$ 1,646,000	\$ 216,000	\$ 1,862,000
Net pension liability	\$ 13,726,000	\$ 15,909,000	\$ 29,635,000
Pension expense	\$ 1,887,970	\$ 3,475,862	\$ 5,363,832

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

Compensated Absences: Compensated absences benefits totaling \$24,852 are recorded as a liability of the County Office. The liability is for the earned but unused benefits. The amount to be provided by future operations represents the total amount that would be required to be provided from the general operating revenues of the County Office if all the benefits were to be paid.

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

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

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self-insurance represents the portion of net position restricted for payment of contracted services related to claims. It is the County Office's policy to use restricted net position first when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2018, the County Office had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the County Office's Board of Education has approved to be used for specific purposes, based on the County Office's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2018, the Sutter County Superintendent had been designated with authority to make fund balance assignments.

E - Unassigned Fund Balance:

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

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

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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

NOTE 2 - CASH AND INVESTMENTS

Cash at June 30, 2018 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 19,232,720	\$ 131,961	\$ 62,987
Deposits:			
Revolving cash fund	10,000	-	-
Cash on hand and in banks	-	-	3,179
Cash with Fiscal Agent	<u>5,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 19,247,720</u>	<u>\$ 131,961</u>	<u>\$ 66,166</u>

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

In accordance with applicable state laws, the Sutter County Treasurer may invest in derivative securities. However, at June 30, 2018, the Sutter County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The County Office limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the County Office's accounts was \$13,179 and the bank balances were \$16,290, all of which was insured by the FDIC.

Cash with Fiscal Agent: Cash with Fiscal Agent totaling \$5,000 represents amounts held in the County Office's name by a third party custodian at June 30, 2018.

Interest Rate Risk: The County Office does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the County Office had no significant interest rate risk related to cash and investments held.

Concentration of Credit Risk: The County Office does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the County Office had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

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

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2018 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<u>Governmental Activities</u>		
Major Fund:		
County School Service	\$ 432,737	\$ 1,164,757
Special Reserve for Capital Outlay Projects	100,000	-
Non-Major Funds:		
Adult Education	78,043	6,401
Child Development	-	1,737
Cafeteria	-	31,330
<u>Business-Type Activities</u>		
Enterprise Fund:		
Other Enterprise	-	55,629
<u>Agency Fund:</u>		
Special Education Pass-Through	<u>833,194</u>	<u>184,120</u>
Totals	<u>\$ 1,443,974</u>	<u>\$ 1,443,974</u>

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

Transfers for the 2017-18 fiscal year ended were as follows:

Transfer from the County School Service Fund to the Adult Education Fund to cover fund balance.	\$ 77,834
Transfer from the County School Service Fund to the Cafeteria Fund for food services costs.	350,000
Transfer from the County School Service Fund to the Special Reserve for Capital Outlay Projects Reserve Fund for deferred maintenance.	100,000
Transfer from the County School Service Fund to the Self-Insurance Fund for benefits.	2,000,000
Transfer from the Adult Education Fund to the County School Service Fund for indirect costs.	78,134
Transfer from the Child Development Fund to the County School Service Fund for indirect costs.	4,000
Transfer from the Cafeteria Fund to the County School Service Fund for indirect costs.	49,342
Transfer from the Enterprise Fund to the County School Service Fund for Shady Creek outdoor costs.	<u>55,620</u>
	<u>\$ 2,714,930</u>

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Non-depreciable:				
Land	\$ 2,956,870	\$ -	\$ -	\$ 2,956,870
Work in progress	873,746	702,423	(1,459,604)	116,565
Depreciable:				
Land improvements	816,808	329,851	-	1,146,659
Buildings	19,174,461	10,109	1,459,604	20,644,174
Equipment	<u>1,907,441</u>	<u>183,939</u>	<u>(59,901)</u>	<u>2,031,479</u>
Totals, at cost	<u>25,729,326</u>	<u>1,226,322</u>	<u>(59,901)</u>	<u>26,895,747</u>
Less accumulated depreciation:				
Land improvements	161,414	56,930	-	218,344
Buildings	4,831,587	525,100	-	5,356,687
Equipment	<u>1,248,694</u>	<u>159,317</u>	<u>(59,901)</u>	<u>1,348,110</u>
Total accumulated depreciation	<u>6,241,695</u>	<u>741,347</u>	<u>(59,901)</u>	<u>6,923,141</u>
Capital assets, net	<u>\$ 19,487,631</u>	<u>\$ 484,975</u>	<u>\$ -</u>	<u>\$ 19,972,606</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 352,760
Instructional supervision and administration	2,011
School site administration	50,111
Food services	2,972
All other pupil services	21,234
Community services	27,362
All other general administration	209,652
Plant services	69,515
Data processing	<u>5,730</u>
Total depreciation expense	<u>\$ 741,347</u>

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 - LONG-TERM LIABILITIES

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2018 is shown below:

<u>Governmental Activities</u>	Balance July 1, 2017 as Restated	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2018	Amounts Due Within One Year
Net pension liability (Notes 7 and 8)	\$ 26,047,000	\$ 3,493,462	\$ -	\$ 29,540,462	\$ -
Total OPEB liability (Note 9)	2,699,205	436,768	223,866	2,912,107	-
Compensated absences	<u>23,146</u>	<u>1,706</u>	<u>-</u>	<u>24,852</u>	<u>24,852</u>
Totals	<u>\$ 28,769,351</u>	<u>\$ 3,931,936</u>	<u>\$ 223,866</u>	<u>\$ 32,477,421</u>	<u>\$ 24,852</u>
 <u>Business-Type Activities</u>					
Net pension liability (Notes 7 and 8)	<u>\$ -</u>	<u>\$ 94,538</u>	<u>\$ -</u>	<u>\$ 94,538</u>	<u>\$ -</u>

Payments on net pension liability, total OPEB liability and compensated absences are made from the fund for which the related employee worked.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2018 consisted of the following:

	County School Service Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	\$ 10,000	\$ -	\$ -	\$ 10,000
Prepaid expenses	<u>554,899</u>	<u>-</u>	<u>2,204</u>	<u>557,103</u>
Subtotal nonspendable	<u>564,899</u>	<u>-</u>	<u>2,204</u>	<u>567,103</u>
Restricted:				
Legally restricted programs	3,918,798	-	-	3,918,798
Capital projects	<u>-</u>	<u>2,000,298</u>	<u>-</u>	<u>2,000,298</u>
Subtotal restricted	<u>3,918,798</u>	<u>2,000,298</u>	<u>-</u>	<u>5,919,096</u>
Assigned:				
Facility and IT projects	2,087,783	-	-	2,087,783
Special education program	1,468	-	-	1,468
One Stop	101,020	-	-	101,020
ES IPP and administration	18,151	-	-	18,151
Adult and alternative education programs	237	-	-	237
SELPA	95,098	-	-	95,098
MAA	671,155	-	-	671,155
TCIP	32,156	-	-	32,156
Student support	11,239	-	-	11,239
Equipment replacement and purchase	<u>1,158,322</u>	<u>-</u>	<u>-</u>	<u>1,158,322</u>
Subtotal assigned	<u>4,176,629</u>	<u>-</u>	<u>-</u>	<u>4,176,629</u>
Unassigned:				
Designated for economic uncertainty	1,750,312	-	-	1,750,312
Unassigned	<u>-</u>	<u>-</u>	<u>(2,204)</u>	<u>(2,204)</u>
Subtotal Unassigned	<u>1,750,312</u>	<u>-</u>	<u>(2,204)</u>	<u>1,748,108</u>
Total fund balances	<u><u>\$10,410,638</u></u>	<u><u>\$ 2,000,298</u></u>	<u><u>\$ -</u></u>	<u><u>\$12,410,936</u></u>

(Continued)

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

CalSTRS 2% at 62

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

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

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

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

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

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

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The County Office contributed \$1,152,938 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding(1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

At June 30, 2018, the County Office reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office. The amount recognized by the County Office as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County Office were as follows:

County Office's proportionate share of the net pension liability	\$ 13,726,000
State's proportionate share of the net pension liability associated with the County Office	<u>8,120,000</u>
Total	<u><u>\$ 21,846,000</u></u>

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The County Office's proportion of the net pension liability was based on the County Office's share of contributions to the pension plan relative to the contributions of all participating school districts and county offices and the State. At June 30, 2017, the County Office's proportion was 0.015 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County Office recognized pension expense of \$1,887,970 and revenue of \$807,340 for support provided by the State. At June 30, 2018, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 51,000	\$ 239,000
Changes of assumptions	2,543,000	-
Net differences between projected and actual earnings on investments	-	366,000
Changes in proportion and differences between County Office contributions and proportionate share of contributions	410,000	1,041,000
Contributions made subsequent to measurement date	<u>1,152,938</u>	<u>-</u>
Total	<u>\$ 4,156,938</u>	<u>\$ 1,646,000</u>

\$1,152,938 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ (19,383)
2020	514,617
2021	318,117
2022	(39,883)
2023	210,366
2024	374,166

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County Office's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County Office's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the County Office's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
County Office's proportionate share of the net pension liability	<u>\$ 20,154,000</u>	<u>\$ 13,726,000</u>	<u>\$ 8,509,000</u>

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

(Continued)

NOTE 8 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The County Office contributed \$1,425,344 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the County Office reported a liability of \$15,909,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The County Office’s proportion of the net pension liability was based on the County Office’s share of contributions to the pension plan relative to the contributions of all participating school districts and county offices. At June 30, 2017, the County Office’s proportion was 0.067 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2016.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2018, the County Office recognized pension expense of \$3,475,862. At June 30, 2018, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 570,000	\$ -
Changes of assumptions	2,324,000	187,000
Net differences between projected and actual earnings on investments	551,000	-
Changes in proportion and differences between County Office contributions and proportionate share of contributions	132,000	29,000
Contributions made subsequent to measurement date	<u>1,425,344</u>	<u>-</u>
Total	<u><u>\$ 5,002,344</u></u>	<u><u>\$ 216,000</u></u>

\$1,425,344 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 928,667
2020	1,614,667
2021	1,119,166
2022	(301,500)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 8 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

The table below reflects 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.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10 (1)</u>	<u>Expected Real Rate of Return Years 11+(2)</u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period

(2) An expected inflation rate of 3.00% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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

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

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 8 - NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Sensitivity of the County Office’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the County Office’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the County Office’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
County Office’s proportionate share of the net pension liability	<u>\$ 23,407,000</u>	<u>\$ 15,909,000</u>	<u>\$ 9,688,000</u>

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the County Office provides post-employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees. The plan does not issue separate financial statements.

The Plan, which is administered by the County Office, allows employees who retire and meet retirement eligibility requirements to continue health insurance coverage as a participant in the County Office’s plan. The County Office’s Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The County Office’s Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018 the County Office has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the County Office’s Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

	<u>Number of Participants</u>
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	17
Active employees	<u>295</u>
	<u><u>312</u></u>

Benefits Provided: The benefits provided are the same as those provided for active employees. Employees aged 55 or older who retire from the County Office with fifteen years of full-time service for administrative personnel or twenty years of full-time service for nonadministrative personnel are eligible. Administrative retirees receive an amount equal to 50% of the highest available plan at the composite rate at the time of retirement. Non-administrative retirees receive 65% of the cap at the time of retirement. The County Office pays the benefits until the retiree reaches age 65, or becomes Medicare eligible.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions: California Government Code specifies that the County Office's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the County Office are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The County Office's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions to the Plan from the County Office were \$190,279 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The County Office's total OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	June 30, 2017
<u>Fiscal Year End</u>	June 30
<u>Mortality Rate</u>	2014 CalPERS Active Mortality for Miscellaneous Employees and 2009 CalSTRS Mortality Table
<u>Discount Rate</u>	3.5%. Based on the Bond Buyer 20-Bond Index
<u>Retirement Rate</u>	Hired before 1/1/2013: 2009 CalPERS Retirement Rates for School employees. Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2009 CalSTRS Retirement Rates
<u>Inflation Rate</u>	2.75% per year
<u>Payroll Increases</u>	2.75% per year
<u>Health Care Inflation</u>	4.00%
<u>Termination Rate</u>	CalPERS and CalSTRS 2009 Rates.
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ <u>2,699,205</u>
Changes for the year:	
Service cost	340,420
Interest	96,348
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	-
Benefit payments	<u>(223,866)</u>
Net change	<u>212,902</u>
Balance, June 30, 2018	<u>\$ 2,912,107</u>

There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the County Office's total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the County Office, as well as what the County Office's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (<u>2.5%</u>)	Current Discount Rate (<u>3.5%</u>)	1% Increase (<u>4.5%</u>)
Total OPEB liability	<u>\$ 3,132,293</u>	<u>\$ 2,912,107</u>	<u>\$ 2,722,633</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the County Office, as well as what the County Office's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (<u>3.0%</u>)	Healthcare Cost Trend Rates Rate (<u>4.0%</u>)	1% Increase (<u>5.0%</u>)
Total OPEB Liability	<u>\$ 2,756,205</u>	<u>\$ 2,912,107</u>	<u>\$ 3,073,790</u>

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County Office recognized OPEB expense of \$212,902. At June 30, 2018, the County Office reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	-
Benefits made subsequent to measurement date	<u>190,279</u>	<u>-</u>
Total	<u>\$ 190,279</u>	<u>\$ -</u>

\$190,279 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

NOTE 10 - JOINT POWERS AGREEMENTS

The County Office is a member of North Valley Schools Insurance Group (NVSIG), which is a common risk management and insurance program providing workers' compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The following is a summary of financial information for NVSIG as of June 30, 2016 (the latest information available):

Total assets	\$ 3,274,714
Total liabilities	1,708,375
Net position	1,566,339
Total revenues	13,093,602
Total expenses	13,136,777
Change in net position	(43,175)

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - JOINT POWERS AGREEMENTS (Continued)

The County Office is also a member of Tri-County Schools Insurance Group (TCSIG), which is a common risk management and insurance program providing health and welfare insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The following is a summary of financial information for TCSIG as of June 30, 2017 (the latest information available):

Total assets	\$ 18,722,833
Deferred outflows of resources	183,953
Total liabilities	9,365,157
Deferred inflows of resource	19,160
Net position	9,522,469
Total revenues	43,039,245
Total expenses	39,467,946
Change in net position	3,571,299

The relationship between Sutter County Superintendent of Schools and the two Joint Powers Authorities is such that they are not a component unit of the County Office for financial reporting purposes.

NOTE 11 - CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
COUNTY SCHOOL SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 7,910,693	\$ 7,925,957	\$ 7,910,693	\$ (15,264)
Local sources	<u>1,585,438</u>	<u>1,358,026</u>	<u>1,453,207</u>	<u>95,181</u>
Total LCFF	<u>9,496,131</u>	<u>9,283,983</u>	<u>9,363,900</u>	<u>79,917</u>
Federal sources	4,740,118	5,135,015	4,485,685	(649,330)
Other state sources	9,541,116	12,384,184	10,019,097	(2,365,087)
Other local sources	<u>12,109,699</u>	<u>12,067,146</u>	<u>11,753,299</u>	<u>(313,847)</u>
Total revenues	<u>35,887,064</u>	<u>38,870,328</u>	<u>35,621,981</u>	<u>(3,248,347)</u>
Expenditures:				
Current:				
Certificated salaries	8,385,290	8,312,084	8,224,661	87,423
Classified salaries	11,670,530	10,993,610	10,813,619	179,991
Employee benefits	6,799,575	6,355,352	6,277,828	77,524
Books and supplies	939,371	1,018,883	733,333	285,550
Contract services and operating expenditures	5,108,842	8,843,261	5,090,321	3,752,940
Other outgo	205,669	1,176,762	1,122,535	54,227
Capital outlay	<u>407,282</u>	<u>1,201,093</u>	<u>876,847</u>	<u>324,246</u>
Total expenditures	<u>33,516,559</u>	<u>37,901,045</u>	<u>33,139,144</u>	<u>4,761,901</u>
Excess of revenues over expenditures	<u>2,370,505</u>	<u>969,283</u>	<u>2,482,837</u>	<u>1,513,554</u>
Other financing sources (uses):				
Transfers in	120,463	230,010	187,096	(42,914)
Transfers out	<u>(2,520,846)</u>	<u>(2,514,722)</u>	<u>(2,527,834)</u>	<u>(13,112)</u>
Total other financing sources (uses)	<u>(2,400,383)</u>	<u>(2,284,712)</u>	<u>(2,340,738)</u>	<u>(56,026)</u>
Net change in fund balance	(29,878)	(1,315,429)	142,099	1,457,528
Fund balance, July 1, 2017	<u>10,268,539</u>	<u>10,268,539</u>	<u>10,268,539</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 10,238,661</u>	<u>\$ 8,953,110</u>	<u>\$ 10,410,638</u>	<u>\$ 1,457,528</u>

See accompanying note to required supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL
 OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
 For the Year Ended June 30, 2018

Last 10 Fiscal Years

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 340,420
Interest	96,348
Change in assumptions	-
Benefit Payments	<u>(223,866)</u>
Net change in total OPEB liability	212,902
Total OPEB liability - beginning of year	<u>2,699,205</u>
Total OPEB liability - end of year	<u><u>\$ 2,912,107</u></u>
Covered employee payroll	\$ 19,974,992
Total OPEB liability as a percentage of covered-employee payroll	14.6%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2018

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
County Office's proportion of the net pension liability	0.016%	0.016%	0.016%	0.015%
County Office's proportionate share of the net pension liability	\$ 9,453,000	\$ 10,529,000	\$ 13,013,000	\$ 13,726,000
County Office's proportionate share of the net pension liability associated with the County Office	<u>5,708,000</u>	<u>5,568,000</u>	<u>7,408,000</u>	<u>8,120,000</u>
Total net pension liability	<u>\$ 15,161,000</u>	<u>\$ 16,097,000</u>	<u>\$ 20,421,000</u>	<u>\$ 21,846,000</u>
County Office's covered payroll	\$ 7,205,000	\$ 7,259,000	\$ 8,018,000	\$ 7,866,000
County Office's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.30%	174.50%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF THE COUNTY OFFICE'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
County Office's proportion of the net pension liability	0.059%	0.065%	0.066%	0.067%
County Office's proportionate share of the net pension liability	\$ 7,505,000	\$ 9,624,000	\$ 13,034,000	\$ 15,909,000
County Office's covered payroll	\$ 6,154,000	\$ 7,228,000	\$ 7,918,000	\$ 8,496,000
County Office's proportionate share of the net pension liability as a percentage of its covered payroll	121.95%	133.15%	164.61%	187.25%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS
For the Year Ended June 30, 2018

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 644,571	\$ 860,335	\$ 1,003,630	\$ 1,152,938
Contributions in relation to the contractually required contribution	<u>\$ 644,571</u>	<u>\$ 860,335</u>	<u>\$ 1,003,630</u>	<u>\$ 1,152,938</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County Office's covered payroll	\$ 7,259,000	\$ 8,018,000	\$ 7,866,000	\$ 7,990,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF THE COUNTY OFFICE'S CONTRIBUTIONS
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 850,864	\$ 938,001	\$ 1,173,463	\$ 1,425,344
Contributions in relation to the contractually required contribution	<u>\$ 850,864</u>	<u>\$ 938,001</u>	<u>\$ 1,173,463</u>	<u>\$ 1,425,344</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County Office's covered payroll	\$ 7,228,000	\$ 7,918,000	\$ 8,496,000	\$ 9,177,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

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

D - Schedule of the County Office's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>		
	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Total
ASSETS				
Cash in County Treasury	\$ -	\$ 60,071	\$ 33,392	\$ 93,463
Receivables	154,889	18,746	45	173,680
Due from other funds	78,043	-	-	78,043
Prepaid Expenditures	<u>2,204</u>	<u>-</u>	<u>-</u>	<u>2,204</u>
Total assets	<u>\$ 235,136</u>	<u>\$ 78,817</u>	<u>\$ 33,437</u>	<u>\$ 347,390</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 228,735	\$ 41,519	\$ 2,107	\$ 272,361
Due to other funds	6,401	1,737	31,330	39,468
Unearned revenue	<u>-</u>	<u>35,561</u>	<u>-</u>	<u>35,561</u>
Total liabilities	<u>235,136</u>	<u>78,817</u>	<u>33,437</u>	<u>347,390</u>
Fund balances:				
Nonspendable	2,204	-	-	2,204
Unassigned	<u>(2,204)</u>	<u>-</u>	<u>-</u>	<u>(2,204)</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 235,136</u>	<u>\$ 78,817</u>	<u>\$ 33,437</u>	<u>\$ 347,390</u>

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2018

	<u>Adult Education Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>	<u>Total</u>
Revenues:				
Federal sources	\$ 225,377	\$ 76,930	\$ 60,884	\$ 363,191
Other state sources	482,833	4,397	4,561	491,791
Other local sources	<u>198,700</u>	<u>390</u>	<u>-</u>	<u>199,090</u>
Total revenues	<u>906,910</u>	<u>81,717</u>	<u>65,445</u>	<u>1,054,072</u>
Expenditures:				
Current:				
Certificated salaries	281,809	-	-	281,809
Classified salaries	395,818	-	155,710	551,528
Employee benefits	224,142	-	39,484	263,626
Books and supplies	24,229	-	167,968	192,197
Contract services and operating expenditures	<u>147,946</u>	<u>77,717</u>	<u>2,941</u>	<u>228,604</u>
Total expenditures	<u>1,073,944</u>	<u>77,717</u>	<u>366,103</u>	<u>1,517,764</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(167,034)</u>	<u>4,000</u>	<u>(300,658)</u>	<u>(463,692)</u>
Other financing sources (uses):				
Transfers in	77,834	-	350,000	427,834
Transfers out	<u>(78,134)</u>	<u>(4,000)</u>	<u>(49,342)</u>	<u>(131,476)</u>
Total other financing (uses) sources	<u>(300)</u>	<u>(4,000)</u>	<u>300,658</u>	<u>296,358</u>
Net change in fund balances	(167,334)	-	-	(167,334)
Fund balances, July 1, 2017	<u>167,334</u>	<u>-</u>	<u>-</u>	<u>167,334</u>
Fund balances, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
ORGANIZATION
June 30, 2018

Sutter County Superintendent of Schools provides supportive services to eight elementary school districts, two unified school districts and two high school districts within Sutter County. There were no changes in the County boundaries during the current year.

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

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Victoria Lachance	President	2020
Jim Richmond	Vice President	2018
June McJunkin	Member	2020
Karm Bains	Member	2018
Ron Turner	Member	2020

ADMINISTRATION

Dr. Baljinder Dhillon
Superintendent

Barbara Henderson
Assistant Superintendent,
Business Services

Dr. Christine McCormick
Student Support Services

Elizabeth Engleken
Assistant Superintendent,
SELPA

Barbara Hickman
Assistant Superintendent,
Special Education

Wendy Bedard
Human Resource Director

Maggie Nicoletti
Executive Assistant to the Superintendent

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2018

	<u>Second Period Report</u>	<u>Annual Report</u>
Certificate Numbers	585F4F7D	0F73CAB1
County Community School:		
Elementary	65	64
Secondary	<u>29</u>	<u>29</u>
Total County Office	<u>94</u>	<u>93</u>

See accompanying notes to supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U. S Department of Education - Passed through California</u>			
<u>Department of Education</u>			
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 336,604
84.027A	Special Education: Alternate Dispute Resolution, Part B, Sec 611	13007	17,321
84.173A	Special Education: IDEA Preschool Staff Development, Part B, Section 619	13431	<u>1,255</u>
	Subtotal Special Education Cluster		<u>355,180</u>
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education and ELA	14508	23,598
84.002A	Adult Education: English Literacy and Civics Education	14109	42,006
84.002A	Adult Education: Institutionalized Adults	13971	10,154
84.002A	Adult Education: Adult Secondary Education Section 231	13978	<u>149,619</u>
	Subtotal Adult Education Programs		<u>225,377</u>
84.010	ESEA: Title I, Part A, Basic Grants Low Income and Neglected	14329	99,939
84.181	Special Education: IDEA Early Intervention, Part C	23761	143,855
84.158	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	158,266
84.196	ESEA: Education for Homeless Children and Youth, Subtitle VII-B McKinney-Vento Act	14332	37,638
84.367	ESEA: Title II, Part A, Improving Teacher Quality	14341	13,484
84.365	ESEA: Title III, English Learner Student Program Student Program	14346	<u>56,276</u>
	Total U.S. Department of Education		<u>1,090,015</u>

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2018

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Health & Human Services - Passed through California Department of Education</u>			
	Child Development Program:		
93.596	Child Development: Quality Improvement - Child Care Staff Retention Program	14990	\$ 26,048
93.596	Child Development: Federal Local Planning Councils	13946	<u>50,882</u>
	Total Child Development Program		<u>76,930</u>
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	<u>290,237</u>
	Total U.S. Department of Health & Human Services		<u>367,167</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Programs - Child Nutrition Cluster	13391	<u>60,884</u>
<u>U.S. Department of Labor - Passed through California Department of Education</u>			
17.259	Workforce Innovation and Opportunity Act	10055	<u>2,078,192</u>
	Total Federal Programs		<u>\$ 3,596,258</u>

See accompanying notes to supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

	Enterprise <u>Fund</u>
June 30, 2018 Unaudited Actual Financial Reporting Ending Fund Balance:	\$ (67,000)
Client requested adjustment for GASB 68	<u>904</u>
June 30, 2018 Audit Financial Statements Ending Fund Balance	<u>\$ (66,096)</u>

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

See accompanying notes to supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS OFFICE
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2018
(UNAUDITED)

	(Budgeted) 2019	2018	2017	2016
<u>County School Service Fund</u>				
Revenues and other financing sources	\$ 35,846,040	\$ 35,809,077	\$ 35,940,556	\$ 33,213,791
Expenditures	33,038,998	33,139,144	37,605,212	32,573,868
Other uses and transfers out	<u>2,599,732</u>	<u>2,527,834</u>	<u>1,517,533</u>	<u>450,000</u>
Total outgo	<u>35,638,730</u>	<u>35,666,978</u>	<u>39,122,745</u>	<u>33,023,868</u>
Change in fund balance	<u>\$ 207,310</u>	<u>\$ 142,099</u>	<u>\$ (3,182,189)</u>	<u>\$ 189,923</u>
Ending fund balance	<u>\$ 10,617,948</u>	<u>\$ 10,410,638</u>	<u>\$ 10,268,539</u>	<u>\$ 13,450,728</u>
Available reserves	<u>\$ 1,750,312</u>	<u>\$ 1,750,312</u>	<u>\$ 1,956,827</u>	<u>\$ 1,613,911</u>
Designated for economic uncertainties	<u>\$ 1,750,312</u>	<u>\$ 1,750,312</u>	<u>\$ 1,956,827</u>	<u>\$ 1,792,514</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (178,603)</u>
Available reserves as a percentage of total outgo	<u>4.9%</u>	<u>4.9%</u>	<u>5.0%</u>	<u>4.3%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 32,452,569</u>	<u>\$ 32,477,421</u>	<u>\$ 27,663,855</u>	<u>\$ 26,412,899</u>
Average daily attendance at annual	<u>74</u>	<u>93</u>	<u>85</u>	<u>104</u>

The County School Service Fund fund balance has decreased by \$2,850,167 over the past three years. The fiscal year 2018-19 budget projects a surplus of \$207,310. For a County Office this size, the State of California recommends available reserves of at least 3 percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo). The County Office met this requirement at June 30, 2018.

The County Office has incurred operating surplus in two of the past three years, and anticipates incurring an operating surplus during the 2018-19 fiscal year.

Total long-term liabilities have increased by \$6,064,522 over the past two years, primarily due to the net pension obligation and total OPEB liability.

Average daily attendance has decreased by 11 over the past two years and is anticipated to decrease by 19 during the 2018-19 fiscal year.

See accompanying notes to supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS OFFICE
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2018

Charter Schools Chartered by County Office

Included in County Office
Financial Statements, or
Separate Report

There are currently no charter schools under the jurisdiction of the
County Office.

See accompanying notes to supplementary information.

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The County Office has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The County Office exceeded its target funding. This schedule presents information on the amount of instructional time offered by the County Office, and whether the County Office complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of the County Office, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County Office has elected not to use the 10-percent de minimus indirect cost rate allowed in the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 4,848,876
Less:		
Medi-Cal Administrative Activities (MAA)	93.778	(993,304)
Dept of Health Care Services (DHCS): Medi-Cal Billing Option	93.778	<u>(259,314)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 3,596,258</u>

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

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

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the County Office's financial condition over the past three years and its anticipated condition for the 2019 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosures in the financial statements of county offices of education which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the County Office did not adopt such a program.

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

Board of Education
Sutter County Superintendent of Schools
Yuba City, California

Report on Compliance with State Laws and Regulations

We have audited Sutter County Superintendent of Schools' compliance with the types of compliance requirements described in the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

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

(Continued)

We did not perform any procedures related to Kindergarten Continuance as the County Office did not have any students who were retained for a second year of kindergarten.

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

The County Office is not a school district, therefore we did not perform any procedures related to Instructional Time for School Districts.

We did not perform any procedures related to Ratio of Administrative Employees to Teachers as the ratio does not apply to County Offices.

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

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

We did not perform any procedures related to School Accountability Report Card as this does not apply to County Offices.

The County Office does not operate a Juvenile Court Schools; therefore, we did not perform any testing related to Juvenile Court Schools.

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

We did not perform any procedures related to K-3 Grade Span Adjustment as the County Office did not claim classroom based ADA for apportionment for kindergarten and grades 1 to 3.

We did not perform any procedures related to Transportation Maintenance of Effort as the County Office did not expend any Transportation MOE funds in 2012-13 or 2014-15.

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

The County Office did not expend any Educator Effectiveness funds in the current year; therefore, we did not perform any procedures related to Educator Effectiveness.

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

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

The County Office does not have any Charter Schools; therefore, we did not perform any of the testing required for charter schools.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Sutter County Superintendent of Schools' compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Sutter County Superintendent of Schools' compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Sutter County Superintendent of Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion with State Laws and Regulations

In our opinion Sutter County Superintendent of Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 14, 2018

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

Board of Education
Sutter County Superintendent of Schools
Yuba City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Sutter County Superintendent of Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Sutter County Superintendent of Schools' basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sutter County Superintendent of Schools' 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 Sutter County Superintendent of Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Sutter County Superintendent of Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 14, 2018

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

Board of Education
Sutter County Superintendent of Schools
Yuba City, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sutter County Superintendent of Schools' 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 Sutter County Superintendent of Schools' 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 Sutter County Superintendent of Schools' compliance.

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Sacramento, California
December 14, 2018

FINDINGS AND RECOMMENDATIONS

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS OFFICE
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.259	Workforce Innovation and Opportunity Act

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

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

STATE AWARDS

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

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS OFFICE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS OFFICE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS OFFICE
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SUTTER COUNTY SUPERINTENDENT OF SCHOOLS
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>County Office Explanation If Not Implemented</u>
<p>2017-001</p> <p><u>Condition:</u> The County Office of Education is not consistent with the recording of deposits for use of the Shady Creek Outdoor School and Event Center. The County Office of Education records the transactions on both the cash and accrual basis, which is not in accordance with GAAP.</p> <p><u>Recommendation:</u> The County Office of Education should ensure revenue recognition is consistent and in accordance with accounting guidelines.</p>	Implemented.	