

**GLENN COUNTY  
OFFICE OF EDUCATION**

**County of Glenn  
Willows, California**

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

**June 30, 2003**

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Office of Education*

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**FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Glenn County Office of Education  
Willows, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glenn County Office of Education (the Office of Education) as of and for the year ended June 30, 2003, which collectively comprise the Office of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Office of Education's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of Education as of June 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Office of Education has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 6, 2004, on our consideration of the Office of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Schedules listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

## INDEPENDENT AUDITORS' REPORT

Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office of Education's basic financial statements. The accompanying financial information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Matson and Isom*

April 6, 2004

**Required Supplemental Information**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

Glenn County  
Office of Education

## INTRODUCTION

Our discussion and analysis of the Glenn County Office of Education's financial performance provides an overview of the Office's financial activities for the fiscal year ended June 30, 2003. It should be read in conjunction with the Office's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001.

## FINANCIAL HIGHLIGHTS

- Total net assets were \$10,074,770 at June 30, 2003, an increase over net assets of \$9,301,483 at June 30, 2002.
- Overall revenues were \$15,753,028, which exceeded expenditures of \$14,979,741 by \$773,287.
- Long-term debt has decreased by \$995 due to decreases in the Compensated Absences liability

## OVERVIEW OF FINANCIAL STATEMENTS

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- Fund financial statements focus on reporting the individual parts of the Office operations in more detail. The fund financial statements comprise the remaining statements.
  - Governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships in which the Office acts solely as a trustee or agent for the benefit of others to whom the resources belong.
- The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2003

*Glenn County  
Office of Education*

## **Government-Wide Statements**

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

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

- Over time, increases or decreases in the Office's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Office, one needs to consider additional nonfinancial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the federal and State governments, and condition of facilities.

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

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Office's most significant funds - not the Office as a whole. Funds are accounting devices that the Office uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the Office is meeting legal responsibilities for using certain revenues. The Office has two kinds of funds:

- **Governmental funds** – Most of the Office's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Office's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental fund statements that explains the relationship (or differences) between them.
- **Fiduciary funds** – the Office is the trustee, or fiduciary, for assets that belong to others. The fiduciary funds for which the Office is the trustee are the Retiree Benefit Fund, which is a trust fund, and the Warrant/Pass-through Fund, which is an agency fund. The Office is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the Office's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the government-wide financial statements because the Office cannot use the assets to finance its operations.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2003

*Glenn County  
Office of Education*

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

**Net Assets**

The Office's combined net assets were \$10,074,770 at June 30, 2003. See Table 1.

**Table 1:  
Net Assets**

	Governmental Activities		Total Percentage Change
	2003	2002	2003-2002
<b>Assets</b>			
Cash	\$ 8,041,676	(1)	(1)
Receivables	1,803,815	(1)	(1)
Prepaid Expenses	263,814	(1)	(1)
Capital Assets, Net of Accumulated Depreciation	1,502,163	(1)	(1)
<b>TOTAL ASSETS</b>	<b>\$ 11,611,468</b>	<b>(1)</b>	<b>(1)</b>
<b>Liabilities</b>			
Accounts Payable	\$ 1,360,980	(1)	(1)
Deferred Revenue	110,688	(1)	(1)
Long-Term Debt	65,030	(1)	(1)
<b>TOTAL LIABILITIES</b>	<b>\$ 1,536,698</b>	<b>(1)</b>	<b>(1)</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net Of Related Debt	\$ 481,277	(1)	(1)
Restricted	3,715,392	(1)	(1)
Unrestricted	5,878,101	(1)	(1)
<b>TOTAL NET ASSETS</b>	<b>\$ 10,074,770</b>	<b>(1)</b>	<b>(1)</b>

(1) The Office did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

**Changes in Net Assets**

The Office's total revenues were \$15,753,028. A majority of the revenue comes from operating and capital grants, and charges for services (79%). General revenues accounted for another 21% of total revenues.

The total cost of all programs and services was \$14,979,741. The Office's expenses are predominately related to educating and caring for students, and to serving the community (75%). Administrative activities accounted for just 13% of total costs. The remaining expenses were for plant services (maintenance and operations), ancillary services, and other outgo.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2003

*Glenn County  
Office of Education*

**Table 2:  
Changes in Net Assets**

	Governmental Activities		Total Percentage Change
	2003	2002	2003-2002
Revenues			
Program Revenues:			
Charges for Services	\$ 656,042	(1)	(1)
Operating Grants & Contributions	11,830,966	(1)	(1)
Capital Grants and Contributions	92,922	(1)	(1)
General Revenues			
Property Taxes	1,040,957	(1)	(1)
Unrestricted Federal/State Revenues	1,474,759	(1)	(1)
Local & Misc Revenues	657,382	(1)	(1)
<b>TOTAL REVENUES</b>	<u>\$ 15,753,028</u>	(1)	(1)
Program Expenses			
Instruction	\$ 4,688,243	(1)	(1)
Instruction-Related Services	1,645,798	(1)	(1)
Pupil Services	1,058,422	(1)	(1)
General Administration	1,934,946	(1)	(1)
Plant Services	368,037	(1)	(1)
Ancillary Services	2,768	(1)	(1)
Community Services	3,887,035	(1)	(1)
Other Outgo	1,354,838	(1)	(1)
Depreciation - Unallocated	39,654	(1)	(1)
<b>TOTAL EXPENSES</b>	<u>\$ 14,979,741</u>	(1)	(1)
<b>INCREASE IN NET ASSETS</b>	<u>\$ 773,287</u>	(1)	(1)

- (1) The Office did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2003

*Glenn County  
Office of Education*

**Governmental Activities**

The cost of all governmental activities this year was \$14,979,741.

Table 3 presents the cost of each of the Office's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

**Table 3  
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
Instruction	\$ 4,688,243	(1)	\$ 546,121	(1)
Instruction-Related Service	1,645,798	(1)	512,359	(1)
Pupil Services	1,058,422	(1)	200,888	(1)
General Administration	1,934,946	(1)	738,847	(1)
Plant Services	368,037	(1)	151,060	(1)
Ancillary Services	2,768	(1)	2,768	(1)
Community Services	3,887,035	(1)	73,998	(1)
Other Outgo	1,354,838	(1)	134,116	(1)
Depreciation - Unallocated	39,654	(1)	39,654	(1)
<b>TOTAL</b>	<u>\$ 14,979,741</u>	(1)	<u>\$ 2,399,811</u>	(1)

- (1) The Office did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

**FINANCIAL ANALYSIS OF THE OFFICE'S FUNDS**

The strong financial performance of the Office as a whole is reflected in its governmental funds as well. As the Office completed the year, its governmental funds reported a combined fund balance of \$8,637,637, above last year's ending fund balance of \$8,346,622.

**County School Services Fund Budgetary Highlights**

Over the course of the year, the Office revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 30, 2003. A schedule of the Office's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

Actual revenues were approximately \$59,000 less than the final budget. The difference is a net result of various incomes coming in both greater than budgeted and less than budgeted with the principle differences being found in the federal and other state revenue sources. Actual expenses were some \$3,151,000 less than the final budget, with the principle difference being the practice of this agency to fully budget the expenditure of carryover while not actually expending it. The original budgeted expenditures do not reflect carryover amounts and thus were comparable to actual expenditures.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2003

*Glenn County  
Office of Education*

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2003, the Office had invested \$2,762,075 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table 4. Current year activity included \$560,000 in additions to work in progress as the Office continued construction on modernization projects at various school sites, as well as a project utilizing Proposition 10 funding. More detailed information about the Office's capital assets is presented in the notes to the financial statements.

**Table 4  
Capital Assets**

	Governmental Activities		Total Percentage Change
	2003	2002	2003-2002
Land	\$ 3,600	(1)	(1)
Buildings	1,276,317	(1)	(1)
Machinery and Equipment	717,803	(1)	(1)
Work In Progress	764,355	(1)	(1)
Totals at Historical Cost	<u>\$ 2,762,075</u>	(1)	(1)
Total Accumulated Depreciation	<u>(1,259,912)</u>	(1)	(1)
<b>NET CAPITAL ASSETS</b>	<u><b>\$ 1,502,163</b></u>	(1)	(1)

(1) The Office did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

The Office's fiscal year 2004 budget projects spending of \$350,586 for capital projects, which is primarily for site development and technology improvements.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2003

*Glenn County  
Office of Education*

**Long-Term Debt**

At year-end, the Office had \$65,030 in debt, as shown in Table 5. The Office reduced by \$995 its debt during the fiscal year. More detailed information about the Office's debt is presented in the notes to the financial statements.

**Table 5  
Long-Term Debt**

	Governmental Activities		Total Percentage
	2003	2002	Change 2003-2002
Compensated Absences	\$ 65,030	(1)	(1)
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 65,030</b>	<b>(1)</b>	<b>(1)</b>

(1) The Office did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

- The uncertainty of federal and state funding can have a profound impact on the financial health of the Office. Although no changes are currently known, the federal budget was recently adopted and the State could implement midyear budget cuts, as it did during the 2003 fiscal year.
- The continuing increases in premiums for health care insurance and worker's compensation could have a significant effect on the future financial health of the Office. The 2004 premium for health insurance increased by 22% to 27%, depending on the plan, over the 2003 premium. The worker's compensation rate increased by 19% over the 2003 rate. Health care premiums are predicted to continue to increase into the foreseeable future.
- The budget assumptions used to prepare the budget for 2004 included a negative 2.64% cost of living allowance (COLA), a growth factor of 0%, and salary step and column increase of 2%.

**CONTACTING THE OFFICE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the Office's finances and to demonstrate the Office's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact: Tim Uptegrove at 530 934-6575 ext. 21.

## **Basic Financial Statements**

**STATEMENT OF NET ASSETS***Glenn County  
Office of Education*

June 30, 2003

**Governmental  
Activities****ASSETS**

Cash and cash equivalents	\$ 8,041,676
Accounts receivable	72,752
Due from other governments	1,731,063
Prepaid expenses	263,814
Nondepreciated capital assets	767,955
Depreciated capital assets	1,994,120
Accumulated depreciation	(1,259,912)
<b>Total Assets</b>	<b>\$ 11,611,468</b>

**LIABILITIES**

Accounts payable and other current liabilities	\$ 1,360,980
Deferred revenues	110,688
Long-term obligations	
Due beyond one year	65,030
<b>Total Liabilities</b>	<b>\$ 1,536,698</b>

**NET ASSETS**

Invested in capital assets - net of related debt	\$ 481,277
Restricted for capital projects	1,540,819
Restricted for educational programs	2,174,573
Unrestricted	5,878,101
<b>Total Net Assets</b>	<b>\$ 10,074,770</b>

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

**STATEMENT OF ACTIVITIES**

*Glenn County  
Office of Education*

Year Ended June 30, 2003	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Program Revenue Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
					<u>Governmental Activities</u>
<b>FUNCTIONS/PROGRAMS</b>					
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Instruction	\$ 4,688,243	\$ 54,733	\$ 3,994,467	\$ 92,922	\$ (546,121)
Instruction - related services	1,645,798	82,899	1,050,540	-	(512,359)
Pupil services	1,058,422	24,008	833,526	-	(200,888)
Ancillary services	2,768	-	-	-	(2,768)
Community services	3,887,035	402,897	3,410,140	-	(73,998)
General administration	1,934,946	58,866	1,137,233	-	(738,847)
Plant services	368,037	12,990	203,987	-	(151,060)
Other outgo	1,354,838	19,649	1,201,073	-	(134,116)
Depreciation - unallocated	39,654	-	-	-	(39,654)
<b>Total Governmental Activities</b>	<u>\$ 14,979,741</u>	<u>\$ 656,042</u>	<u>\$ 11,830,966</u>	<u>\$ 92,922</u>	<u>(2,399,811)</u>
<b>GENERAL REVENUES</b>					
					1,040,957
Property taxes - levied for general purposes					1,474,759
Federal and state aid not restricted to specific purposes					251,700
Interest and investment earnings					405,682
Miscellaneous					<u>3,173,098</u>
<b>Total General Revenues</b>					<u>3,173,098</u>
<b>Change in Net Assets</b>					773,287
<b>Net Assets - Beginning of Year</b>					<u>9,301,483</u>
<b>Net Assets - End of Year</b>					<u>\$ 10,074,770</u>

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

*Glenn County  
Office of Education*

June 30, 2003	<b>County School Services</b>	<b>Child Development</b>	<b>Special Reserve Special Revenue</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,910,054	\$ 82,006	\$ 1,405,562	\$ 1,644,054	\$ 8,041,676
Accounts receivable	58,947	544	-	13,261	72,752
Due from other governments	1,198,169	484,045	-	48,849	1,731,063
Due from other funds	420,554	117,494	84,192	16,799	639,039
Prepaid expenditures	205,319	52,602	-	5,893	263,814
<b>Total Assets</b>	<b>\$ 6,793,043</b>	<b>\$ 736,691</b>	<b>\$ 1,489,754</b>	<b>\$ 1,728,856</b>	<b>\$ 10,748,344</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	\$ 1,153,372	\$ 195,810	\$ -	\$ 11,798	\$ 1,360,980
Due to other funds	193,485	352,813	-	92,741	639,039
Deferred revenue	51,376	47,839	-	11,473	110,688
<b>Total Liabilities</b>	<b>1,398,233</b>	<b>596,462</b>	<b>-</b>	<b>116,012</b>	<b>2,110,707</b>
<b>FUND BALANCES</b>					
Reserved for revolving fund	5,000	2,000	-	-	7,000
Reserved for prepaid expenditures	205,319	52,602	-	5,893	263,814
Reserved for other purposes	1,818,132	-	-	-	1,818,132
Unreserved - reported in general fund	3,366,359	-	-	-	3,366,359
Unreserved - reported in special revenue funds	-	85,627	1,489,754	792,867	2,368,248
Unreserved - reported in capital projects funds	-	-	-	814,084	814,084
<b>Total Fund Balances</b>	<b>5,394,810</b>	<b>140,229</b>	<b>1,489,754</b>	<b>1,612,844</b>	<b>8,637,637</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,793,043</b>	<b>\$ 736,691</b>	<b>\$ 1,489,754</b>	<b>\$ 1,728,856</b>	<b>\$ 10,748,344</b>

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

**RECONCILIATION OF GOVERNMENTAL  
FUND BALANCES TO GOVERNMENT-WIDE  
NET ASSETS**

*Glenn County  
Office of Education*

June 30, 2003

**Total Fund Balances - Governmental Funds**

\$ 8,637,637

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation

Capital assets at historical cost

\$ 2,762,075

Accumulated depreciation

(1,259,912)

1,502,163

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences payable

65,030

(65,030)

**Total Net Assets - Governmental Activities**

\$ 10,074,770

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

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

*Glenn County  
Office of Education*

Year Ended June 30, 2003	<b>County School Services</b>	<b>Child Development</b>	<b>Special Reserve Special Revenue</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property taxes	\$ 1,040,957	\$ -	\$ -	\$ -	\$ 1,040,957
State revenue	7,568,901	1,032,959	-	465,098	9,066,958
Federal revenue	1,141,009	2,698,371	-	477,045	4,316,425
Interest and investment earnings	173,710	3,888	39,439	49,927	266,964
Other local revenue	575,004	348,058	-	138,662	1,061,724
<b>Total Revenues</b>	<b>10,499,581</b>	<b>4,083,276</b>	<b>39,439</b>	<b>1,130,732</b>	<b>15,753,028</b>
<b>EXPENDITURES</b>					
Current					
Instruction	4,392,172	-	-	292,839	4,685,011
Instruction-related services	1,340,979	-	-	284,923	1,625,902
Pupil services	1,029,037	-	-	-	1,029,037
Ancillary services	2,092	-	-	-	2,092
Community services	378,710	3,514,376	-	-	3,893,086
General administration	1,422,830	491,655	-	29,668	1,944,153
Plant services	275,466	54,416	-	38,144	368,026
Transfers between agencies	1,083,840	-	-	270,998	1,354,838
Capital outlay	102,836	-	-	457,032	559,868
<b>Total Expenditures</b>	<b>10,027,962</b>	<b>4,060,447</b>	<b>-</b>	<b>1,373,604</b>	<b>15,462,013</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>471,619</b>	<b>22,829</b>	<b>39,439</b>	<b>(242,872)</b>	<b>291,015</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	49,048	26,108	76,100	69,802	221,058
Interfund transfers out	(172,010)	-	-	(49,048)	(221,058)
<b>Total Other Financing Sources (Uses)</b>	<b>(122,962)</b>	<b>26,108</b>	<b>76,100</b>	<b>20,754</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>348,657</b>	<b>48,937</b>	<b>115,539</b>	<b>(222,118)</b>	<b>291,015</b>
<b>Fund Balances - Beginning of Year</b>	<b>5,046,153</b>	<b>91,292</b>	<b>1,374,215</b>	<b>1,834,962</b>	<b>8,346,622</b>
<b>Fund Balances - End of Year</b>	<b>\$ 5,394,810</b>	<b>\$ 140,229</b>	<b>\$ 1,489,754</b>	<b>\$ 1,612,844</b>	<b>\$ 8,637,637</b>

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

**RECONCILIATION OF NET CHANGE  
IN FUND BALANCES TO  
CHANGE IN NET ASSETS**

*Glenn County  
Office of Education*

June 30, 2003

**Total Net Changes in Fund Balances - Governmental Funds**

\$ 291,015

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay  
Depreciation expense

\$ 583,294  
(102,017)

481,277

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

995

**Change in Net Assets of Governmental Activities**

\$ 773,287

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

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

*Glenn County  
Office of Education*

June 30, 2003	<b>Retiree Benefit Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 63,057	\$ 23,234
<b>Total Assets</b>	<b>\$ 63,057</b>	<b>\$ 23,234</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 6,140	\$ 23,234
<b>Total Liabilities</b>	<b>\$ 6,140</b>	<b>\$ 23,234</b>
<b>NET ASSETS</b>		
Held in trust for retiree benefits	\$ 56,917	

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

**STATEMENT OF CHANGES IN  
FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

*Glenn County  
Office of Education*

Year Ended June 30, 2003	<b>Retiree Benefit Trust</b>
<hr/> <hr/>	
<b>ADDITIONS</b>	
Miscellaneous contributions	\$ 399
Interest	1,228
	<hr/>
<b>Total Additions</b>	<b>1,627</b>
	<hr/>
<b>DEDUCTIONS</b>	
Services and other operating	7,100
	<hr/>
<b>Total Deductions</b>	<b>7,100</b>
	<hr/>
<b>Change in Net Assets</b>	<b>(5,473)</b>
<b>Net Assets - Beginning</b>	<b>62,390</b>
	<hr/>
<b>Net Assets - Ending</b>	<b>\$ 56,917</b>
<hr/> <hr/>	

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

**1. SIGNIFICANT ACCOUNTING POLICIES****Accounting Policies**

The Office of Education accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The Office of Education's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Office of Education has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Office of Education has chosen not to do so. The more significant accounting policies established in GAAP and used by the Office of Education are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statements include –
  - a. Management's Discussion and Analysis (MD&A) section providing an analysis of the Office of Education's overall financial position and results of operations.
  - b. Financial statements prepared using full accrual accounting for all of the Office of Education's activities.
2. A change in the fund financial statements to focus on the major funds.

In addition to implementing the provisions of GASB Statement No. 34 in the current year, the Office of Education also adopted the following for the year ended June 30, 2003:

GASB Statement No. 37 (GASB 37), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*

GASB Statement No. 38 (GASB 38), *Certain Financial Statement Note Disclosures*

GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

## **Basis of Presentation**

### **Government-wide Financial Statements**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

### **Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Office of Education or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

### **Governmental Funds**

**County School Services Fund** includes all the programs operated by the Office of Education including special education, ROP, and various special projects.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Office of Education maintains five special revenue funds:

1. Adult Education Fund is used to account separately for federal, State, and local revenues and the expenditure of those funds to operate adult education programs.
2. Child Development Fund is used to account separately for federal, State, and local revenues and the expenditure of those funds to operate child development programs.
3. Deferred Maintenance Fund is used to account separately for State apportionments and Office of Education contributions for deferred maintenance purposes. Expenditures in this fund are for major repairs or replacements as identified in the plan approved by the State Allocation Board.

4. Forest Reserve Fund is used to account for funds received by national forests for distribution to school districts. These funds are to be used for the benefit of public schools of the counties in which the national forest is situated.
5. Special Reserve Fund is used to account for resources designated by the Office of Education for unforeseen financial demands.

**Capital Projects Funds** are used to account for the acquisition or construction of all major governmental assets. The Office of Education maintains two capital projects funds:

1. County School Facilities Fund is used primarily to account separately for state apportionments as provided in Education Code sections 17009.5 and 17070.10-17076.10.
2. Special Reserve Fund is used to account for resources designated by the Office of Education Board for special purposes, primarily capital outlay.

**Fiduciary Funds**

**Expendable Trust Funds** are used to account for assets held by the Office of Education as trustee. The Office of Education maintains one expendable trust fund:

1. Retiree Benefit Fund is used to account for the accumulation of assets to fund retiree benefits.

**Agency Funds** are used to account for assets of others for whom the Office of Education acts as an agent. The Office of Education maintains one agency fund:

1. Warrant/Pass-Through Fund is used to accumulate funds for payroll and benefit liabilities of the Office of Education and the school districts.

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

Major governmental funds

- County school services fund
- Child development fund
- Special reserve special revenue fund

Nonmajor governmental funds

- Adult education fund
- Deferred maintenance fund
- Forest reserve fund
- County school facilities fund
- Special reserve capital projects fund

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**Budgets and Budgetary Accounting**

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

These budgets are revised by the Office of Education’s Governing Board and Office of Education Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the County School Services Fund and each major special revenue fund as required supplemental information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The Office of Education employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**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.

**Deposits and Investments**

The Office of Education considers demand deposits and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

In accordance with Education Code Section 41001, the Office of Education maintains substantially all of its cash in the Glenn County Treasury as part of the common investment pool. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Information regarding the amount of dollars invested in derivatives with the County was not available. The Office of Education is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The change in the fair value of investments was insignificant during the year ended June 30, 2003, and there was no significant unrealized gain or loss on investments held at June 30, 2003.

**Accounts Receivable and Due From Other Governments**

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2003. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the Office of Education has earned or been allocated but has not received as of June 30, 2003.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**Inventories and Prepaid Expenses**

Inventory consists of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventory is valued on the average cost method. Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

**Fixed Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the Office of Education as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

Portable classrooms	25
Equipment	5-20
Vehicles	8

**Fund Financial Statements**

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

**Deferred Revenue**

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

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

**Compensated Absences**

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**Equity Classifications**

**Government-wide Statements**

Equity is classified as net assets and displayed in three components:

*Invested in capital assets, net of related debt* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

*Unrestricted net assets* consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

**Revenue Limit and Property Tax**

The Office of Education’s revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

Glenn County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on December 10 and April 10 and become delinquent after December 10 and April 10, respectively.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1 of each year.

Property taxes are recorded as local revenue limit sources by the Office of Education. California Department of Education reduces the Office of Education's entitlement by the Office of Education's local property tax revenue. The balance is paid from the State's General Fund and is referred to as the State Apportionment. The Office of Education's base revenue limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the Office of Education is entitled to by law. This amount is multiplied by the second period ADA to derive the Office of Education's total entitlement.

**Revenue – Non-Exchange Transactions**

Non-exchange transactions, in which the Office of Education receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Office of Education must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Office of Education on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Expenditures and Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character

Current (further classified by function)

Debt service

Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**2. CASH AND INVESTMENTS**

The Office of Education's cash deposits are classified into three categories of credit risk based upon the following criteria:

Category	Description
1	The deposits are insured or collateralized with securities held by the Office of Education or by its agent in the Office of Education's name.
2	The deposits are collateralized with securities held by the pledging financial institution's trust department or agent in the Office of Education's name.
3	The deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Office of Education's name.

Description	Categories			Bank Balance	Carrying Amount
	1	2	3		
INSURED (FDIC)	\$ 8,774	\$ -	\$ -	\$ 8,774	\$ 8,222
County Treasurer's Pooled Funds					8,119,745
<b>Total Deposits</b>					8,127,967
Less Trust Fund Cash					63,057
Less Agency Fund Cash					23,234
<b>Total Cash and Cash Equivalents Per Government-wide Statement of Net Assets</b>					<b>\$ 8,041,676</b>

**3. INTERFUND TRANSACTIONS AND BALANCES**

**Interfund Receivables/Payables**

Individual fund interfund receivable and payable balances are as follows:

Fund	Interfund Receivables	Interfund Payables
County school services	\$ 420,554	\$ 193,485
Adult education	16,799	69,974
Child development	117,494	352,813
Deferred maintenance	-	22,767
Special reserve special revenue	84,192	-
<b>Total</b>	<b>\$ 639,039</b>	<b>\$ 639,039</b>

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2003

*Glenn County  
Office of Education***Interfund Transfers**

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

Interfund transfers are as follows:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
County school services	\$ 49,048	\$ 172,010
Adult education	27,770	-
Child development	26,108	-
Deferred maintenance	42,032	-
Forest reserve	-	40,817
Special reserve special revenue	76,100	-
Special reserve capital projects	-	8,231
<b>Total</b>	<b>\$ 221,058</b>	<b>\$ 221,058</b>

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**4. CAPITAL ASSETS**

Capital asset activity is as follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
NONDEPRECIATED CAPITAL ASSETS				
Land	\$ 3,600	\$ -	\$ -	\$ 3,600
Construction in progress	204,487	559,868	-	764,355
<b>Total Nondepreciated Capital Assets</b>	<u>208,087</u>	<u>559,868</u>	<u>-</u>	<u>767,955</u>
DEPRECIATED CAPITAL ASSETS				
Buildings	1,276,317	-	-	1,276,317
Machinery and equipment	243,411	23,426	-	266,837
Vehicles	450,966	-	-	450,966
<b>Total Depreciated Capital Assets</b>	<u>1,970,694</u>	<u>23,426</u>	<u>-</u>	<u>1,994,120</u>
<b>Totals at Historical Cost</b>	<u>\$ 2,178,781</u>	<u>\$ 583,294</u>	<u>\$ -</u>	<u>\$ 2,762,075</u>
LESS ACCUMULATED DEPRECIATION				
Buildings	\$ 694,869	\$ 39,655	\$ -	\$ 734,524
Machinery and equipment	104,930	32,994	-	137,924
Vehicles	358,096	29,368	-	387,464
<b>Total Accumulated Depreciation</b>	<u>1,157,895</u>	<u>102,017</u>	<u>-</u>	<u>1,259,912</u>
<b>Total Depreciated Capital Assets - Net</b>	<u>812,799</u>	<u>(78,591)</u>	<u>-</u>	<u>734,208</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$ 1,020,886</u>	<u>\$ 481,277</u>	<u>\$ -</u>	<u>\$ 1,502,163</u>

Depreciation expense was charged to governmental activities as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
Instruction		\$ 11,488
Instruction-related services		21,507
Pupil services		29,368
Unallocated depreciation expense		39,654
<b>Total Depreciation Expense - Governmental Activities</b>		<u>\$ 102,017</u>

**5. CHANGES IN LONG-TERM DEBT**

The following is a summary of long-term debt:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Compensated absences	\$ 66,025	\$ -	\$ 995	\$ 65,030	\$ -

**6. DESIGNATED FUND BALANCES**

Fund balances as of June 30, 2003, are designated for the following purpose:

	<b>County School Services</b>	<b>Child Development</b>	<b>Special Reserve Special Revenue</b>	<b>Other Governmental Funds</b>
Designated for special purposes	\$ 168,756	\$ 85,627	\$ 1,489,754	\$ 1,606,951
Designated for economic uncertainties	850,000	-	-	-
<b>Total Designated</b>	1,018,756	85,627	1,489,754	1,606,951
Undesignated	2,347,603	-	-	-
<b>Total Unreserved</b>	<b>\$ 3,366,359</b>	<b>\$ 85,627</b>	<b>\$ 1,489,754</b>	<b>\$ 1,606,951</b>

**7. JOINT POWERS AGREEMENTS**

The Office of Education participates in joint ventures under Joint Powers Agreements (JPAs) with Golden State Risk Management Authority (GSRMA), Tri-Counties School Insurance Group (TCSIG), and Schools Excess Liability Fund (SELF). The relationship between the Office of Education and the JPAs is such that the JPAs are not component units of the Office of Education for financial reporting purposes.

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

**8. COMMITMENTS AND CONTINGENCIES**

**Federal and State Allowances, Awards, and Grants**

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

**9. RISK MANAGEMENT**

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

**10. EMPLOYEE RETIREMENT SYSTEMS**

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

**State Teachers' Retirement System (STRS)***Plan Description*

The Office of Education contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

*Funding Policy*

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2002-2003 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Office of Education's contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$306,038, and \$284,961, \$265,613, respectively, and equal 100% of the required contributions for each year.

**California Public Employees Retirement System (CalPERS)***Plan Description*

The Office of Education contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

***Funding Policy***

Active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over \$133.33 if the member participates in Social Security) and the Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate was 2.894% for July 1, 2002, through January 31, 2003; and 2.771% for February 1, 2003, through June 30, 2003. The contribution requirements of the plan members are established by state statute. The Office of Education's contributions to CalPERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$85,091, \$-0-, and \$-0-, respectively, and equal 100% of the required contributions for each year.

**11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

In addition to the pension benefits described above, the Office of Education provides postretirement health care benefits to all employees who retire on or after attaining the age of 55 with at least 15 consecutive years of service. On June 30, 2003, one retiree met these eligibility requirements.

The Office of Education pays 100 percent of the premiums for medical, dental, and vision insurance for the employee for two years following retirement. Expenditures for postretirement health care benefits are recognized as incurred. During the fiscal year ended June 30, 2003, expenditures of \$6,384 were recognized for postretirement health care.

**Required Supplemental Information**

**BUDGETARY COMPARISON SCHEDULE  
COUNTY SCHOOL SERVICES FUND**

*Glenn County  
Office of Education*

Year Ended June 30, 2003	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,040,000	\$ 1,040,000	\$ 1,040,957	\$ 957
State revenue	7,124,976	7,410,987	7,568,901	157,914
Federal revenue	1,336,395	1,454,716	1,141,009	(313,707)
Interest and investment earnings	170,000	174,800	173,710	(1,090)
Other local revenue	311,675	478,042	575,004	96,962
<b>Total Revenues</b>	<b>9,983,046</b>	<b>10,558,545</b>	<b>10,499,581</b>	<b>(58,964)</b>
<b>EXPENDITURES</b>				
Current				
Instruction	4,290,451	5,045,224	4,392,172	653,052
Instruction - related services	1,256,679	1,457,765	1,340,979	116,786
Pupil services	982,919	1,257,161	1,029,037	228,124
Ancillary services	2,200	2,200	2,092	108
Community services	342,358	410,689	378,710	31,979
General administration	1,438,938	1,731,132	1,422,830	308,302
Plant services	336,612	644,758	275,466	369,292
Transfers between agencies	1,353,669	903,048	1,083,840	(180,792)
Other outgo	234,068	1,727,022	-	1,727,022
Capital outlay	-	-	102,836	(102,836)
<b>Total Expenditures</b>	<b>10,237,894</b>	<b>13,178,999</b>	<b>10,027,962</b>	<b>3,151,037</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	(254,848)	(2,620,454)	471,619	3,092,073
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	27,320	35,551	49,048	13,497
Transfers out	(121,214)	(307,844)	(172,010)	135,834
<b>Total Other Financing Sources (Uses)</b>	<b>(93,894)</b>	<b>(272,293)</b>	<b>(122,962)</b>	<b>149,331</b>
<b>Net Change in Fund Balances</b>	<b>(348,742)</b>	<b>(2,892,747)</b>	<b>348,657</b>	<b>3,241,404</b>
<b>Fund Balances - Beginning of Year</b>	<b>5,046,153</b>	<b>5,046,153</b>	<b>5,046,153</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 4,697,411</b>	<b>\$ 2,153,406</b>	<b>\$ 5,394,810</b>	<b>\$ 3,241,404</b>

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

**BUDGETARY COMPARISON SCHEDULE  
CHILD DEVELOPMENT FUND**

*Glenn County  
Office of Education*

Year Ended June 30, 2003	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	GAAP Basis	Final Budget - Positive (Negative)
<b>REVENUES</b>				
State revenue	\$ 1,312,247	\$ 1,422,517	\$ 1,032,959	\$ (389,558)
Federal revenue	2,539,534	3,293,021	2,698,371	(594,650)
Interest and investment earnings	22,750	22,750	3,888	(18,862)
Other local revenue	294,381	361,114	348,058	(13,056)
<b>Total Revenues</b>	<b>4,168,912</b>	<b>5,099,402</b>	<b>4,083,276</b>	<b>(1,016,126)</b>
<b>EXPENDITURES</b>				
Current				
Community services	3,509,184	4,255,263	3,514,376	740,887
General administration	479,419	560,007	491,655	68,352
Plant services	69,641	162,847	54,416	108,431
Other outgo	110,668	169,114	-	169,114
<b>Total Expenditures</b>	<b>4,168,912</b>	<b>5,147,231</b>	<b>4,060,447</b>	<b>1,086,784</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	-	(47,829)	22,829	70,658
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	12,026	20,095	26,108	6,013
<b>Total Other Financing Sources (Uses)</b>	<b>12,026</b>	<b>20,095</b>	<b>26,108</b>	<b>6,013</b>
<b>Net Change in Fund Balances</b>	<b>12,026</b>	<b>(27,734)</b>	<b>48,937</b>	<b>76,671</b>
<b>Fund Balances - Beginning of Year</b>	<b>91,292</b>	<b>91,292</b>	<b>91,292</b>	<b>-</b>
<b>Fund Balances - End of Year</b>	<b>\$ 103,318</b>	<b>\$ 63,558</b>	<b>\$ 140,229</b>	<b>\$ 76,671</b>

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

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL RESERVE SPECIAL REVENUE FUND**

*Glenn County  
Office of Education*

Year Ended June 30, 2003	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest and investment earnings	\$ -	\$ -	\$ 39,439	\$ 39,439
<b>Total Revenues</b>	-	-	39,439	39,439
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	32,139	203,271	76,100	(127,171)
<b>Total Other Financing Sources (Uses)</b>	32,139	203,271	76,100	(127,171)
<b>Net Change in Fund Balances</b>	32,139	203,271	115,539	(87,732)
<b>Fund Balances - Beginning of Year</b>	1,374,215	1,374,215	1,374,215	-
<b>Fund Balances - End of Year</b>	\$ 1,406,354	\$ 1,577,486	\$ 1,489,754	\$ (87,732)

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Office of Education's Governing Board annually adopts budgets for the General Fund and each Major Special Revenue Fund of the Office of Education. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule of the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2003, County School Services Fund transfers between agencies and capital outlay expenditures exceeded appropriations by \$180,792 and \$102,836, respectively. These excess expenditures were offset by unexpended appropriations in other categories.

**OTHER SUPPLEMENTAL INFORMATION SECTION**

**ORGANIZATION**

June 30, 2003

*Glenn County  
Office of Education*

The Glenn County Office of Education provides educational assistance such as curriculum development and coordination, audio-visual aids and library facilities to the school districts, in addition to establishing schools of special education, budgeting and auditing expenditures. The County Office of Education is the focal point for accumulated information from the schools required by the State. Funds and educational material from the State are distributed to the districts.

The Board of Education for the year ended June 30, 2003, was composed of the following members:

**GOVERNING BOARD**

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Bonnie Pieper	President	2004
Ray Gollnick	Vice President	2004
Catherine Hanes	Member	2006
James Mason	Member	2006
D.J. Weber	Member	2004

**ADMINISTRATION**

Dr. Joni K. Samples  
Superintendent

Steven Rudy  
Assistant Superintendent, Business Services

**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

Year Ended June 30, 2003

*Glenn County  
Office of Education*

Report of Schools and Classes Maintained	<b>Annual Report</b>
<b>ELEMENTARY</b>	
Juvenile halls, homes, and camps	3
Opportunity schools and full-day opportunity classes	37
<b>Elementary Totals</b>	<b>40</b>
<b>HIGH SCHOOL</b>	
Juvenile halls, homes, and camps	13
Opportunity schools and full-day opportunity classes	4
Regional occupational centers/programs	346
Handicapped adults	26
Adults (E.C. Section 52616.21)	139
<b>High School Totals</b>	<b>528</b>
<b>ADA Totals</b>	<b>568</b>

County Operated Community Schools and Special Day Classes	<b>Second Period Report</b>	<b>Annual Report</b>
<b>ELEMENTARY</b>		
County community schools	63	68
Special day classes		
SDC	71	69
SDC extended year	2	2
Non-public schools / Licensed children's institution	1	1
<b>Elementary Totals</b>	<b>137</b>	<b>140</b>
<b>HIGH SCHOOL</b>		
County community schools	73	78
Special day classes		
SDC	62	59
<b>High School Totals</b>	<b>135</b>	<b>137</b>
<b>ADA Totals</b>	<b>272</b>	<b>277</b>

*See the accompanying notes to the supplemental information.*

**SCHEDULE OF INSTRUCTIONAL TIME**

Year Ended June 30, 2003

*Glenn County  
Office of Education*

	<b>1986-87 Minutes Requirement</b>	<b>2002-03 Actual Minutes</b>	<b>Traditional Calendar Days</b>	<b>Multitrack Calendar Days</b>	<b>Status</b>
Kindergarten	36,000	36,165	180	N/A	Complied
Grades 1 through 3	50,400	50,508	180	N/A	Complied
Grades 4 through 8	54,000	54,120	180	N/A	Complied
Grades 9 through 12	64,800	65,149	180	N/A	Complied

*See the accompanying notes to the supplemental information.*

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

Year Ended June 30, 2003

*Glenn County  
Office of Education*

Page 1 of 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>FEDERAL PROGRAMS</b>			
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education			
NCLB - Title I, Part D local delinquent programs	84.010	13798	\$ 10,050
Special Ed - IDEA basic local assistance entitlement	84.027	13379	406,196
Special Ed - preschool grants	84.173	13430	43,700
Special Ed - preschool local entitlement	84.027	13682	39,428
Special Ed - infant discretionary	84.027	13612	221
Special Ed - local staff development	84.027	13613	6,979
Special Ed - preschool staff development	84.173	13431	1,000
Special Ed - low incidence entitlement	84.027	13459	25,117
Special Ed - early intervention	84.181	23761	34,422
Special Ed - workability I	84.027	13705	126,091
Vocational and applied tech prep, Title II, Sec 203	84.243	13929	74,061
Vocational programs - secondary	84.048	13924	61,090
Vocational programs - postsecondary and adult	84.048	13923	6,069
NCLB - Title IV drug-free schools	84.186	13453	7,153
NCLB - Title IV drug-free schools program development	84.186	13452	5,409
Adult education: English literacy & civics education	84.002A	14109	128,884
Adult education: adult secondary education	84.002A	13978	2,025
Adult education: English as a second language	84.002A	14302	17,549
Adult education: family literacy	84.002A	13977	6,965
NCLB - Title II Eisenhower professional development	84.281	13207	27,912
NCLB - Title V innovative education strategies	84.298	13340	390
NCLB - Title X McKinney-Venti homeless assistance grants	84.196	14332	31,810
<b>Total U.S. Department of Education</b>			1,062,521
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child care food program	10.558	13393	80,530
Passed through CSU, Chico Research Foundation			
Nutrition services incentive	10.570		32,317
Direct Program			
Schools and roads - grants to counties	10.666	10044	311,815
<b>Total U.S. Department of Agriculture</b>			424,662
<b>Balance Carried Forward</b>			\$ 1,487,183

*See the accompanying notes to the supplemental information.*

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

Year Ended June 30, 2003

*Glenn County  
Office of Education  
Page 2 of 2*

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>Balance Forward</b>			<u>\$ 1,487,183</u>
U.S. DEPARTMENT OF THE INTERIOR Passed through Tehama County Office of Education Fish and wildlife management assistance	15.608		<u>4,913</u>
<b>Total U.S. Department of the Interior</b>			<u>4,913</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through California Department of Education			
Child development - infant/toddler playground	93.575	14136	4,824
Child development - health and safety FHST-1012	93.575	14140	1,576
Child development - health and safety FHST-2012	93.575	14140	1,134
Child development - federal alternative payment	93.596	13964	245,164
Child development - local planning councils	93.575	13946	89,862
Child development - federal alternative payment - stage II	93.575	13625	432,200
Child development - federal alternative payment - stage III	93.575	13605	99,779
Child development - school-age child care resource	93.575	13941	5,182
Child development - federal resource & referral	93.575	13934	86,916
Child development - capacity building	93.575	3952	10,896
Child development - infant/toddler child care resource	93.575	13942	18,274
Direct Program			
Head Start PA 22 and start-up	93.600	10016	1,587,161
Head Start PA 20	93.600	10016	34,873
Passed through C.S.U. Chico Research Foundation			
Special programs for the aging - Title III, Part B - Grants for supportive services	93.044		22,250
Special programs for the aging - Title III, Part C - Nutrition Services	93.045		158,907
Passed through State of California			
Medi-Cal administrative activities (MAA)	93.	10060	<u>21,593</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>2,820,591</u>
U.S. DEPARTMENT OF TRANSPORTATION Passed through the State of California			
State and community highway safety	20.600		<u>3,738</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,316,425</u>

*See the accompanying notes to the supplemental information.*

**SCHEDULE OF FINANCIAL TRENDS  
AND ANALYSIS**

*Glenn County  
Office of Education*

<u>Year Ended June 30, 2003</u>	<u>(Budget) 2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>COUNTY SCHOOL SERVICES FUND</b>				
<b>Revenues and Other Financial Sources</b>	\$ 10,233,217	\$ 10,548,629	\$ 11,229,100	\$ 10,283,418
Expenditures	10,498,604	10,027,962	9,791,818	9,102,357
Other uses and transfers out	90,760	172,010	394,986	774,789
<b>Total Outgo</b>	<u>10,589,364</u>	<u>10,199,972</u>	<u>10,186,804</u>	<u>9,877,146</u>
<b>Change in Fund Balance</b>	<u>\$ (356,147)</u>	<u>\$ 348,657</u>	<u>\$ 1,042,296</u>	<u>\$ 406,272</u>
<b>Ending Fund Balance</b>	<u>5,038,663</u>	<u>5,394,810</u>	<u>5,046,153</u>	<u>4,003,857</u>
<b>Available Reserves</b>	<u>3,161,993</u>	<u>3,366,359</u>	<u>2,918,181</u>	<u>3,242,354</u>
<b>Designated for Economic Uncertainties</b>	<u>850,000</u>	<u>850,000</u>	<u>800,030</u>	<u>627,679</u>
<b>Undesignated Fund Balance</b>	<u>2,143,237</u>	<u>2,347,603</u>	<u>368,974</u>	<u>1,285,532</u>
<b>Available Reserves as a Percentage of Total Outgo</b>	<u>30%</u>	<u>33%</u>	<u>29%</u>	<u>33%</u>
<b>Total Long-Term Debt</b>	<u>65,030</u>	<u>65,030</u>	<u>66,025</u>	<u>47,018</u>
<b>Average Daily Attendance at Annual</b>	<u>845</u>	<u>845</u>	<u>856</u>	<u>818</u>

The County School Services Fund balance has increased by \$1,390,953 over the past two years. The fiscal year 2003-04 budget projects a decrease of \$356,147 (6.6%). For an Office of Education this size, the State recommends available reserves of at least four percent of total County School Services Fund expenditures, transfers out, and other uses (total outgo).

The Office of Education has not incurred an operating deficit in any of the past three years. An operating deficit is anticipated during the 2003-04 fiscal year. Total long-term debt has increased by \$18,012 over the past two years.

Average daily attendance has increased by 27 over the past two years. No additional growth is anticipated during fiscal year 2003-04.

*See the accompanying notes to the supplemental information.*

**RECONCILIATION OF ANNUAL FINANCIAL  
AND BUDGET REPORT (FORM J-400)  
WITH AUDITED FINANCIAL STATEMENTS**

*Glenn County  
Office of Education*

<u>Year Ended June 30, 2003</u>	<u>County School Services</u>
<b>June 30, 2003, Annual Financial and Budget Report (Form J-400) Fund Balance</b>	<u>\$ 5,411,053</u>
ADJUSTMENTS INCREASING (DECREASING) THE FUND BALANCE	
Understatement of due from other governments	270,134
Understatement of accounts payable	<u>(286,377)</u>
<b>Net Adjustments</b>	<u>(16,243)</u>
<b>June 30, 2003, Audited Financial Statement Fund Balance</b>	<u>\$ 5,394,810</u>

*See the accompanying notes to the supplemental information.*

**1. PURPOSE OF SCHEDULES****Schedule of Average Daily Attendance**

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

**Schedule of Instructional Time**

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

**Schedule of Expenditures of Federal Awards**

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

**Schedule of Financial Trends and Analysis**

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the General Long-Term Debt Account Group as reported on the Form J-400 to the audited financial statements.

**2. EARLY RETIREMENT INCENTIVE PROGRAM**

The Office of Education did not enter into any early retirement incentive agreements during 2002-2003, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

**OTHER REPORTS SECTION**



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Founded in 1962 by  
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and W. Howard Isom

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

Board of Education  
Glenn County Office of Education  
Willows, California

We have audited the financial statements of the Glenn County Office of Education (the Office of Education) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 6, 2004. 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.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the Office of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Office of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Matson and Isom*

April 6, 2004



matson and isom

Founded in 1962 by  
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and W. Howard Isom

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Glenn County Office of Education  
Willows, California

### COMPLIANCE

We have audited the compliance of Glenn County Office of Education (the Office of Education) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The Office of Education's major federal programs are identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Office of Education's management. Our responsibility is to express an opinion on the Office of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above which could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Office of Education's compliance with those requirements.

In our opinion, the Office of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

### INTERNAL CONTROL OVER COMPLIANCE

The management of the Office of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Office of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Matson and Isom*

April 6, 2004



matson and isom

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education  
Glenn County Office of Education  
Willows, California

We have audited the financial statements of the Glenn County Office of Education (the Office of Education) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, issued by the Controller of the State of California. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Office of Education's management is responsible for the Office of Education's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Office of Education's compliance with the State laws and regulations applicable to the following:

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
<b>ATTENDANCE ACCOUNTING</b>		
Attendance reporting	4	Yes
Kindergarten continuation	3	No
Independent study	13	Yes
Continuation education	11	No
Adult education	8	Yes
Regional occupational center/programs	4	Yes
Staff development days	3	Yes

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Continued

<b>Description</b>	<b>Procedures in Controller's Audit Guide</b>	<b>Procedures Performed</b>
<b>INCENTIVE FOR LONGER INSTRUCTIONAL DAY</b>		
School districts	4	Not applicable
County offices of education	4	Yes
<b>GANN LIMIT CALCULATION</b>	1	Yes
<b>EARLY RETIREMENT INCENTIVE PROGRAM</b>	5	No
<b>COMMUNITY DAY SCHOOLS</b>	8	No
<b>CLASS SIZE REDUCTION</b>		
Option one classes	10	No
Option two classes	9	No
Option one and two classes	14	Not applicable
Reduce class size in two courses in Grade 9	8	No
<b>INSTRUCTIONAL MATERIALS</b>		
Instructional materials funding realignment program	9	Yes
Schiff-Bustamante standards-based instructional materials	9	Yes
<b>DIGITAL HIGH SCHOOL EDUCATION TECHNOLOGY GRANT PROGRAM</b>	5	Yes
<b>CALIFORNIA PUBLIC SCHOOLS LIBRARY ACT OF 1998</b>	4	Yes
<b>RATIOS OF ADMINISTRATIVE EMPLOYEES TO TEACHERS</b>	3	No

Kindergarten continuation steps one through three were not performed since the Office of Education does not include kindergarten pupils. The audit procedures related to ratios of administrative employees to teachers do not apply to Offices of Education.

Since the Office of Education did not participate in the following programs during 2002-03, all steps related to them were not performed:

- Continuation Education
- Early Retirement Incentive Program
- Community Day Schools
- Class Size Reduction Option One Classes
- Class Size Reduction Option Two Classes
- Reduce Class Size in Two Courses in Grade 9

Based on our audit, for the items tested, we found the Office of Education complied with the State laws and regulations referred to above. Further based on our examination for items not tested, nothing came to our attention to indicate the Office of Education had not complied with the State laws and regulations.

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Continued

This report is intended solely for the information and use of the Board of Trustees, management, the California Department of Education, the State Controller's Office, the California Department of Finance, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Matson and Isom*

April 6, 2004

**FINDINGS AND QUESTIONED COSTS SECTION**

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

June 30, 2003

*Glenn County  
Office of Education*

**SECTION I  
SUMMARY OF AUDIT RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued	Unqualified
Internal control over financial reporting	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported

Type of auditors' report issued on compliance for major program	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
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Identification of major programs	
CFDA No. 84.027	Special Education – IDEA, Part B
CFDA No. 84.173	Special Education – IDEA Preschool
CFDA No. 10.666	Schools and Roads – Grants to Counties
CFDA No. 93.600	Head Start

Threshold for distinguishing types A and B programs	\$300,000
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Auditee qualified as low-risk auditee?	No
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This determination was the result of the qualified opinion on the financial statements for the year ended June 30, 2002. The qualification was the result of the General Fixed Assets Account Group not having been included in the financial statements.

**STATE AWARDS**

Internal control over state programs	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported

Type of auditors' report issued on compliance for state programs	Unqualified
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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**  
June 30, 2003

*Glenn County  
Office of Education*

**SECTION II FINDINGS  
FINANCIAL STATEMENTS AUDIT**

None.

**SECTION III FINDINGS  
FEDERAL AWARDS AUDIT**

None.

**SECTION IV FINDINGS  
STATE AWARDS AUDIT**

None.

None

**SUMMARY SCHEDULE OF  
PRIOR AUDIT FINDINGS**

June 30, 2003

*Glenn County  
Office of Education*

**STATE COMPLIANCE (Instructional Time and Staff Development Reform)**

40000 (02-1)

**Reportable Condition**

**Condition**

The Office of Education claimed Instructional Time and Staff Development Reform funding for the year ended June 30, 2002, in the amount of \$25,549; however, the actual funding earned totals \$27,897.

**Criteria**

Eligibility to qualify for an allowance from the Instructional Time and Staff Development Reform includes compliance with the requirements established by Education Code Sections 44579 – 44579.4.

**Effect**

The Office of Education has earned additional funding totaling \$2,348 for the fiscal year ended June 30, 2002.

***Recommendation***

We recommend that the Office of Education file an amended Instructional Time and Staff Development Reform Program Application for Funding Form for the fiscal year ended June 30, 2002, to properly claim funding earned totaling \$27,897.

***Current Status***

Fully implemented.