

GLENN COUNTY OFFICE OF EDUCATION

ANNUAL FINANCIAL REPORT

JUNE 30, 2006

ROBERTSON, CAHILL & ASSOCIATES, CPAs
A Professional Corporation

GLENN COUNTY OFFICE OF EDUCATION
ORGANIZATION
JUNE 30, 2006

The Glenn County Office of Education (County Office) was established on May 26, 1891 and comprises an area located in Glenn County. There were no changes in the boundaries of the County Office during the current year. The County Office maintains a community day, an adult education school, an independent study program and a special education program. The County Office is the authorizing LEA for William Finch Charter School.

COUNTY BOARD OF EDUCATION

<u>Name</u>	<u>Area</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Ray Gollnick	4	President	December, 2006
Ms. Linda Miller	5	Member	December, 2008
Ms. Julia Larson	2	Member	December, 2008
Ms. Catherine Hanes	1	Vice President	December, 2006
Mr. James Mason	3	Member	December, 2006

<u>Area</u>	<u>Location</u>
1	Stony Creek
2	Hamilton & Capay
3	Princeton
4	Orland Unified
5	Willows

ADMINISTRATION

Dr. Joni Samples, Superintendent
Mr. Tim Uptegrove, Deputy Superintendent of Business Services

ADDRESS OF COUNTY OFFICE

311 S. Villa Avenue
Willows, CA 95988

GLENN COUNTY OFFICE OF EDUCATION
JUNE 30, 2006

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GLENN COUNTY OFFICE OF EDUCATION
JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

County 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 the Glenn County Office of Education (County Office), as of and for the year ended June 30, 2006, which collectively comprise the County Office's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. 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 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 County Office as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Child Development Fund and the Special Reserve Fund for Other Than Capital Outlay Projects for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2007, on our consideration of the County Office's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 13, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of

measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County Office's basic financial statements. The introductory section and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying statistical tables are presented for purposes of additional analysis as required by the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005/2006*, and are also not a required part of the basic financial statements of the County Office. 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 of the County Office. The combining and individual non-major fund financial statements, the statistical tables, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Robertson, Cahill & Associates, CPAs

Lakeport, California
April 12, 2007

GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis
June 30, 2006

INTRODUCTION

Our discussion and analysis of Glenn County Office of Education's (County Office) financial performance provides an overview of the County Office's financial activities for the fiscal year ended June 30, 2006. It should be read in conjunction with the County Office's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$21,703,387 at June 30, 2006. This was an increase of \$3,767,810 over the prior year's restated net assets. Net assets were restated at June 30, 2005 for unrecorded accounts receivable in the amount of \$89,203 (increase to net assets) and the overstatement of Prop 10 grant in the Child Development in the amount of \$30,877 (decrease to net assets).
- Overall revenues were \$23,907,240, which exceeded expenses of \$20,139,430.

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 County 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 County 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 County Office acts solely as the 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 and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the County 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 County Office's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the County Office's financial health or position. Over time, increases or decreases in the County Office's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The Glenn County Office of Education's net assets did increase significantly. To assess the overall health of the County Office, one needs to consider additional non-financial 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. Primarily the changes were the result of new classrooms and Administration buildings.

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The County Office's combined net assets were \$21,703,387 at June 30, 2006.

Net Assets

	Governmental Activities		Percent
	2006	2005	Change
ASSETS			
Cash and Investments	\$ 7,900,361	\$ 11,094,822	(28.8 %)
Other Current Assets	3,469,243	2,394,009	44.9 %
Capital Assets, Net of Accumulated Depreciation	15,247,260	6,703,659	127.4 %
TOTAL ASSETS	\$ 26,616,864	\$ 20,192,490	31.8 %
LIABILITIES			
Current Liabilities	\$ 2,200,208	\$ 2,181,538	0.9 %
Long-Term Liabilities	2,713,269	75,375	3,499.7 %
TOTAL LIABILITIES	\$ 4,913,477	\$ 2,256,913	117.7 %
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 12,626,750	\$ 6,703,659	88.4 %
Restricted	1,239,594	5,651,170	(78.1 %)
Unrestricted	7,837,043	5,580,748	40.4 %
TOTAL NET ASSETS	\$ 21,703,387	\$ 17,935,577	21.0 %

Changes in Net Assets

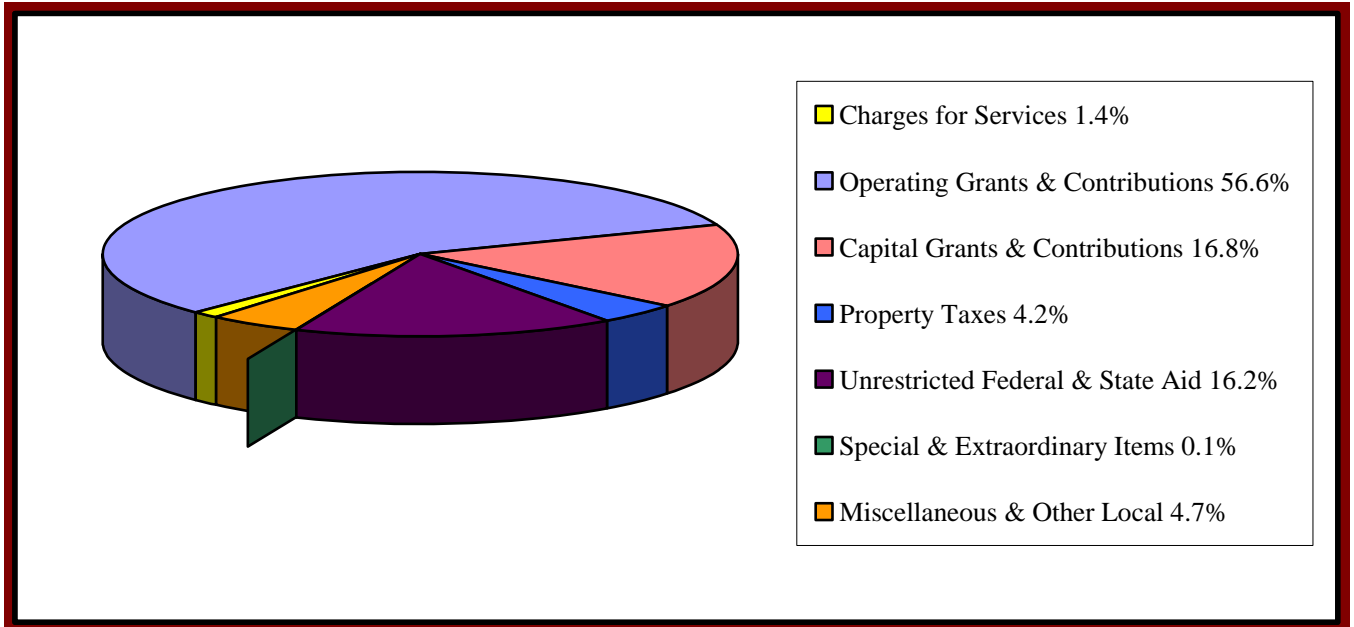
The County Office's total revenues were \$23,907,240. The majority of the revenue comes from Revenue Limit and property taxes (17.4%). Federal Forest Reserve accounted for 1.1% of revenues. Other federal and state aid for specific programs accounted for another 72.1% of total revenues. Miscellaneous local sources accounted for the remaining 9.4%.

The total cost of all programs and services was \$20,139,430. The County Office's expenses are predominately related to educating and caring for students (47.4%). Pupil Services (including transportation and food) account for 6.3% of expenses. Administrative activities accounted for just 11.1% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 2.5% of all costs. The remaining expenses were for ancillary services, community services, interest on long-term debt, and other outgo (32.7%).

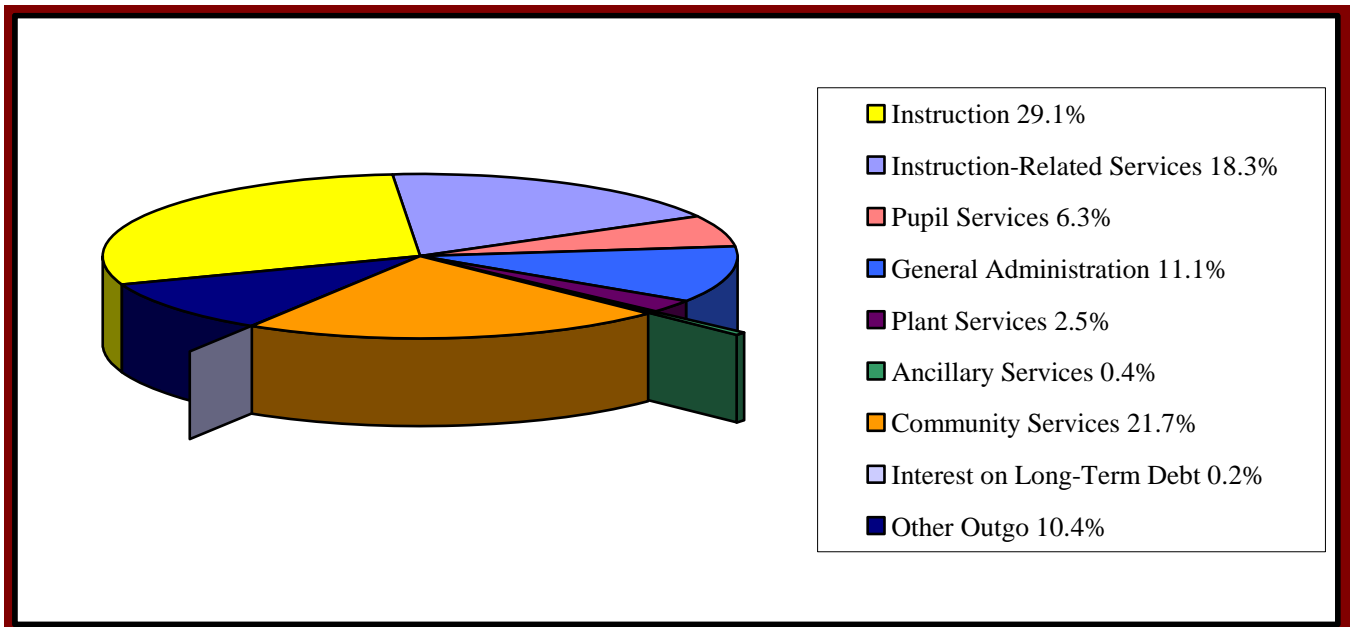
Changes in Net Assets

	Governmental Activities		Percent Change
	2006	2005	
REVENUES			
Program Revenues:			
Charges for Services	\$ 337,613	\$ 273,550	23.4 %
Operating Grants and Contributions	13,537,091	17,309,032	(21.8 %)
Capital Grants and Contributions	4,010,738	-	n/a
General Revenues:			
Property Taxes	1,002,482	906,781	10.6 %
Unrestricted Federal and State Aid	3,881,967	3,675,810	5.6 %
Special and Extraordinary Items	15,671	-	n/a
Miscellaneous and Other Local	1,121,678	935,717	19.9 %
TOTAL REVENUES	23,907,240	23,100,890	3.5 %
EXPENSES			
Instruction	5,858,553	5,373,970	9.0 %
Instruction-Related Services	3,685,294	2,309,860	59.5 %
Pupil Services	1,275,202	1,272,849	0.2 %
General Administration	2,231,120	2,153,710	3.6 %
Plant Services	497,447	533,982	(6.8 %)
Ancillary Services	76,712	98,135	(21.8 %)
Community Services	4,370,759	4,016,809	8.8 %
Interest on Long-Term Debt	41,503	-	n/a
Other Outgo	2,102,840	1,358,366	54.8 %
TOTAL EXPENSES	20,139,430	17,117,681	17.7 %
NET INCREASE (DECREASE) IN NET ASSETS	3,767,810	5,983,209	(37.0 %)
BEGINNING NET ASSETS	17,935,577	11,952,368	50.1 %
ENDING NET ASSETS	\$ 21,703,387	\$ 17,935,577	21.0 %

2005/2006 Summary of Revenues for Governmental Functions



2005/2006 Summary of Expenses for Governmental Functions



Governmental Activities

Net cost is total cost less fees generated by the related activity. The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Net Cost of Services

	Net Cost of Services		Percent
	2006	2005	Change
NET COST OF SERVICES			
Instruction	\$ (1,503,759)	\$ (3,172,668)	(52.6 %)
Instruction-Related Services	1,547,673	1,098,513	40.9 %
Pupil Services	459,354	317,285	44.8 %
General Administration	1,076,349	908,348	18.5 %
Plant Services	152,863	146,051	4.7 %
Ancillary Services	76,712	98,135	(21.8 %)
Community Services	26,783	(143,611)	(118.6 %)
Interest on Long-Term Debt	41,503	-	n/a
Other Outgo	376,510	283,046	33.0 %
TOTAL NET COSTS OF SERVICES	<u>\$ 2,253,988</u>	<u>\$ (464,901)</u>	<u>(584.8 %)</u>

FINANCIAL ANALYSIS OF THE COUNTY OFFICE'S FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the County Office's governmental funds, not the County Office as a whole. Funds are accounting devices that the County 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 governing board establishes other funds to control and manage money for particular purposes or to show that the County Office is meeting legal responsibilities for using certain revenues. The County Office has two types of funds:

- Governmental funds – All of the County 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County 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 funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – For assets that belong to others, such as the scholarship fund and /or student activities funds, the County Office acts as the trustee, fiduciary. The County Office is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. A separate statement of fiduciary net assets, a statement of changes in fiduciary net assets, or a statement of changes in agency assets and liabilities reports the County Office's fiduciary activities. These activities are excluded from the government-wide financial statements, as the assets cannot be used by the County Office to finance its operations.

The financial performance of the County Office as a whole is reflected in its governmental funds as well. As the County Office completed the year, its governmental funds reported a combined fund balance of \$9,092,966 below last year's ending fund balance of \$11,218,090.

Fund Balance Comparison

The County Office currently maintains the following funds:

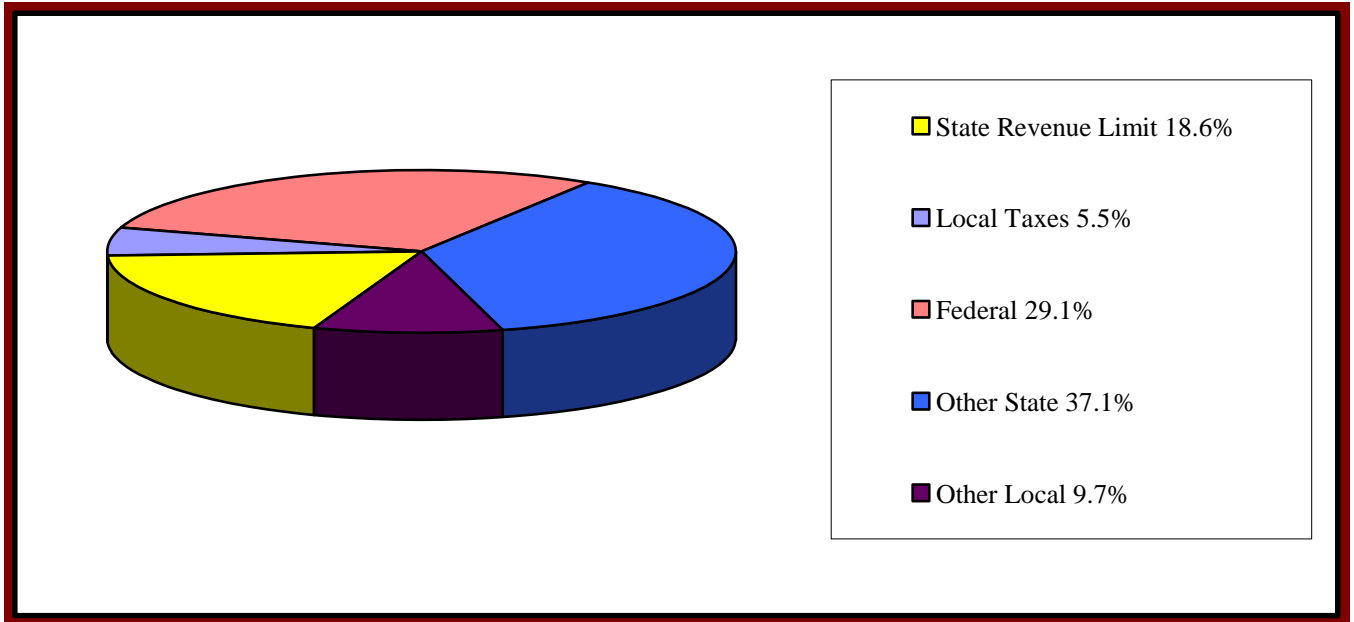
FUNDS	Governmental Activities		Percent
	2006	2005	Change
Governmental:			
County School Service	\$ 4,593,045	\$ 5,775,224	(20.5 %)
Charter Schools Special Revenue	346,298	241,043	43.7 %
Adult Education	73,262	74,634	(1.8 %)
Child Development	142,906	110,843	28.9 %
Deferred Maintenance	1,098,679	930,454	18.1 %
Forest Reserve	279	6,600	(95.8 %)
Special Reserve for Other Than Capital Outlay Projects	1,732,661	1,388,444	24.8 %
Special Reserve for Postemployment Benefits	82,410	46,940	75.6 %
County School Facilities	1,023,426	2,643,908	(61.3 %)
Total Governmental	9,092,966	11,218,090	(18.9 %)
Fiduciary:			
Agency:			
Warrant/Pass-Through	947,892	83,776	1,031.5 %
Total Fiduciary	947,892	83,776	1,031.5 %
TOTAL FUNDS	\$ 10,040,858	\$ 11,301,866	(11.2 %)

County School Service Fund

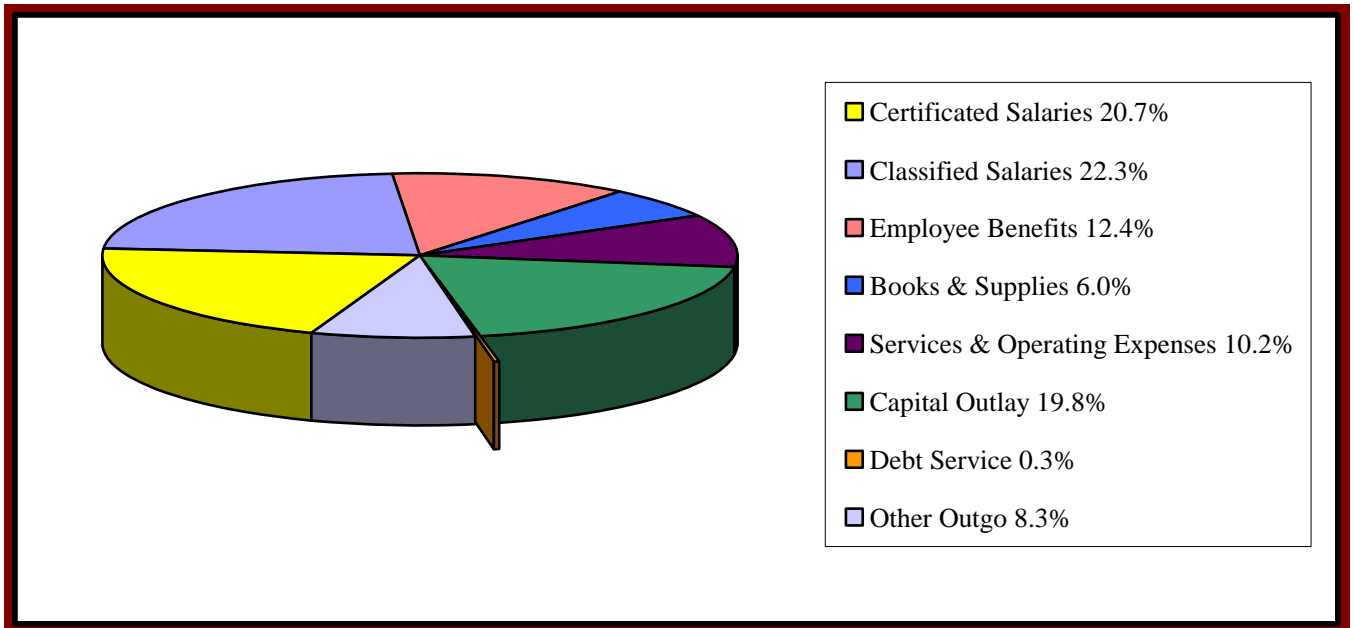
The County School Service Fund declined in fund balance due to several factors; planned contributions toward the building programs for furniture and equipment and planned spend downs of some program balances in both the restricted and unrestricted areas.

The following charts graphically depict revenues and expenditures, both by major object as well as by function.

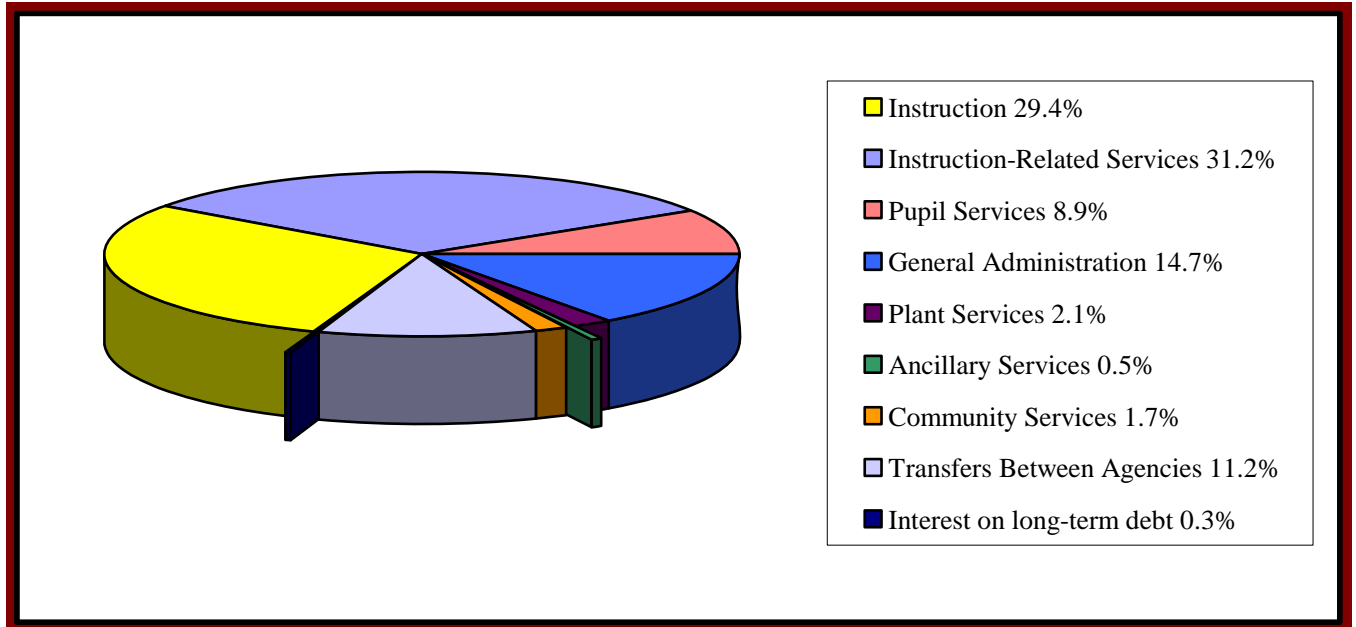
2005/2006 County School Service Fund Revenues



2005/2006 County School Service Fund Expenditures by Object



2005/2006 County School Service Fund Expenditures by Function



Other Governmental Funds

The County School Facilities fund showed the single largest change in fund balance which was due to the starting of several new classroom building projects. The other funds show expected fluctuations due to a variety of normal activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the County Office had invested \$15,247,260, net of accumulated depreciation in a broad range of capital assets, including land, construction in progress, land improvements, buildings and improvements, equipment and vehicles. All categories of capital assets made significant changes due to the office's building program.

Capital Assets

	Governmental Activities		Percent
	2006	2005	Change
CAPITAL ASSETS			
Land	\$ 745,922	\$ 112,371	563.8 %
Construction In Progress	9,464,174	5,310,865	78.2 %
Land Improvements	39,021	-	n/a
Buildings And Improvements	5,144,640	1,765,420	191.4 %
Equipment	886,725	459,991	92.8 %
Vehicles	727,316	507,251	43.4 %
Accumulated Depreciation	(1,760,538)	(1,452,239)	21.2 %
NET CAPITAL ASSETS	\$ 15,247,260	\$ 6,703,659	127.4 %

Long-Term Debt

At year end, the County Office had \$2,713,269 in debt, consisting mainly of Certificates of Participation Payable.

Long-Term Debt

	Governmental Activities		Percent
	2006	2005	Change
LONG-TERM DEBT			
Certificates Of Participation Payable	\$ 2,538,000	\$ -	n/a
Capital Lease Payable	82,510	-	n/a
Compensated Absences	92,759	75,375	23.1 %
TOTAL LONG-TERM DEBT	\$ 2,713,269	\$ 75,375	3,499.7 %

COUNTY SCHOOL SERVICE FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County Office revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 30, 2006. A schedule of the County Office's County School Service Fund original and final budget amounts compared with actual revenues and expenditures is provided with the basic financial statements in the audited financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the County 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 of Education. Current indicators point to a tightening of both the federal and state budgets with unknown potential effects on the Office of Educations budget and programs.
- ❑ While health care premium increases remained low for this year trend is at about 12% per year and will continue to impact budget. Workers compensation rates continue to climb due to changes by the JPA and claim experience.
- ❑ Budget assumptions used for the 2005/2006 budget included 5.92% COLA and 2% step and column salary increases.

CONTACTING THE COUNTY 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 County Office's finances and to demonstrate the County Office's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Deputy Superintendent, Tim Uptegrove or Internal Business Manager, Betty Skala, 311 South Villa Avenue, Willows, CA 95988 (530) 934-6575.

FINANCIAL SECTION

GLENN COUNTY OFFICE OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
ASSETS	
Cash	\$ 7,900,361
Accounts receivable	3,347,978
Prepaid expenses	121,265
Capital assets:	
Non-depreciable	10,210,096
Depreciable, net of accumulated depreciation	5,037,164
Total Assets	\$ 26,616,864
LIABILITIES	
Accounts payable	\$ 2,063,308
Interest payable	34,898
Deferred revenue	102,002
Long-term debt:	
Due within one year	146,697
Due after one year	2,566,572
Total Liabilities	\$ 4,913,477
NET ASSETS	
Invested in capital assets, net of related debt	\$ 12,626,750
Restricted for:	
Capital projects	1,023,426
Educational programs	216,168
Unrestricted	7,837,043
Total Net Assets	\$ 21,703,387

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

GLENN COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Assets
					Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 5,858,553	\$ 135,396	\$ 3,216,178	\$ 4,010,738	\$ 1,503,759
Instruction-related services:					
Supervision of instruction	3,188,837	62,107	2,047,497	-	(1,079,233)
Instructional library, media and technology	180,294	231	2,969	-	(177,094)
School site administration	316,163	1,000	23,817	-	(291,346)
Pupil services:					
Home-to-school transportation	415,527	-	269,828	-	(145,699)
Food services	308	-	874	-	566
All other pupil services	859,367	35,373	509,773	-	(314,221)
General administration:					
Data processing	507,574	-	-	-	(507,574)
All other general administration	1,723,546	30,237	1,124,534	-	(568,775)
Plant services	497,447	5,991	338,593	-	(152,863)
Ancillary services	76,712	-	-	-	(76,712)
Community services	4,370,759	37,516	4,306,460	-	(26,783)
Interest on long-term debt	41,503	-	-	-	(41,503)
Other outgo	2,102,840	29,762	1,696,568	-	(376,510)
Total Governmental Activities	\$ 20,139,430	\$ 337,613	\$ 13,537,091	\$ 4,010,738	(2,253,988)
GENERAL REVENUES					
Taxes and subventions:					
Property taxes levied for general purposes					1,002,482
Property taxes levied for debt service					-
Taxes levied for other specific purposes					-
Federal and state aid not restricted to specific purposes					3,881,967
Interest and investment earnings					171,122
Interagency revenues					432,688
Miscellaneous					517,868
Special and extraordinary items					15,671
Internal transfers					-
Total General Revenues					6,021,798
Change in Net Assets					3,767,810
Net Assets - Beginning					17,935,577
Net Assets - Ending					\$ 21,703,387

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

GLENN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	<u>County School Service Fund</u>	<u>Child Development Fund</u>	<u>Special Reserve Fund for Other Than Capital Outlay Projects</u>
ASSETS			
Cash	\$ 3,371,405	\$ 246,711	\$ 1,508,575
Accounts receivable	2,133,006	551,775	-
Due from other funds	918,554	54,211	377,986
Prepaid expenditures	41,388	42,884	-
Total Assets	<u>\$ 6,464,353</u>	<u>\$ 895,581</u>	<u>\$ 1,886,561</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 1,216,314	\$ 268,184	\$ -
Due to other funds	557,231	483,526	153,900
Deferred revenue	97,763	965	-
Total Liabilities	<u>1,871,308</u>	<u>752,675</u>	<u>153,900</u>
Fund Balance:			
Reserved for:			
Cash in revolving fund	5,000	2,000	-
Prepaid expenditures	41,388	42,884	-
Other current assets	1,000	-	-
Unreserved:			
Designated for:			
Economic uncertainties	850,000	-	-
Other	170,384	-	307,051
Undesignated, reported in:			
General fund	3,525,273	-	-
Special revenue funds	-	98,022	1,425,610
Capital project funds	-	-	-
Total Fund Balance	<u>4,593,045</u>	<u>142,906</u>	<u>1,732,661</u>
Total Liabilities and Fund Balance	<u>\$ 6,464,353</u>	<u>\$ 895,581</u>	<u>\$ 1,886,561</u>

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

GLENN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	<u>County School Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 1,351,611	\$ 1,422,059	\$ 7,900,361
Accounts receivable	105	588,757	3,273,643
Due from other funds	-	171,345	1,522,096
Prepaid expenditures	-	-	84,272
Total Assets	<u>\$ 1,351,716</u>	<u>\$ 2,182,161</u>	<u>\$ 12,780,372</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 326,912	\$ 251,899	\$ 2,063,309
Due to other funds	1,378	326,061	1,522,096
Deferred revenue	-	3,273	102,001
Total Liabilities	<u>328,290</u>	<u>581,233</u>	<u>3,687,406</u>
Fund Balance:			
Reserved for:			
Cash in revolving fund	-	-	7,000
Prepaid expenditures	-	-	84,272
Other current assets	-	-	1,000
Unreserved:			
Designated for:			
Economic uncertainties	-	-	850,000
Other	-	-	477,435
Undesignated, reported in:			
General fund	-	-	3,525,273
Special revenue funds	-	1,600,928	3,124,560
Capital project funds	1,023,426	-	1,023,426
Total Fund Balance	<u>1,023,426</u>	<u>1,600,928</u>	<u>9,092,966</u>
Total Liabilities and Fund Balance	<u>\$ 1,351,716</u>	<u>\$ 2,182,161</u>	<u>\$ 12,780,372</u>

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

GLENN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

	Detail	Total
Total fund balances - governmental funds		\$ 9,092,966
<p>Amounts reported for governmental activities in the Statement of Net Assets differ from amounts reported in governmental funds as follows:</p>		
<p>Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Historical cost of capital assets	\$ 17,007,798	
Accumulated depreciation	(1,760,538)	
		15,247,260
<p>Debt issue costs are recorded as expenditures in the governmental funds, in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. The unamortized debt issue costs included in prepaid expenses on the statement of net assets, are:</p>		
		36,993
<p>Interest on long-term debt is not reported in the governmental funds until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liabilities for the unmatured interest owing at the end of the period are included on the statement of net assets.</p>		
		(34,898)
<p>Revenue is recognized in the governmental funds only to the that it is "available", meaning it will be collected in sufficient time to finance expenditures of the fiscal period. Receivables for revenues that are earned but unavailable are deferred until the period in which the revenues become available. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of unavailable revenues that were deferred as a liability in governmental funds are recognized on the statement of net assets.</p>		
		74,335
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, and deferred charges, are included in the statement of net assets.</p>		
Certificates of participation payable	(2,538,000)	
Capital lease payable	(82,510)	
Compensated absences	(92,759)	
		(2,713,269)
Total net assets, governmental activities		\$ 21,703,387

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

GLENN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	County School Service Fund	Child Development Fund	Special Reserve Fund for Other Than Capital Outlay Projects
REVENUES			
Revenue limit sources:			
State	\$ 2,436,636	\$ -	\$ -
Local	723,447	-	-
Federal	3,809,422	3,285,814	-
Other state	4,850,814	1,180,779	-
Other local	1,266,691	409,420	40,757
Total revenues	<u>13,087,010</u>	<u>4,876,013</u>	<u>40,757</u>
EXPENDITURES			
Instruction	4,817,121	-	-
Instruction related services:			
Supervision of instruction	4,659,224	307,775	-
Instructional library, media, and technology	158,641	-	-
School site administration	293,123	-	-
Pupil services:			
Home-to-school transportation	604,089	-	-
All other pupil services	859,367	-	-
General administration:			
Data processing	632,716	-	-
All other general administration	1,781,398	448,937	-
Plant services	345,054	153,627	-
Facility acquisition and construction	-	-	-
Ancillary services	76,712	-	-
Community services	271,228	4,094,428	-
Transfers between agencies	1,829,232	-	-
Interest on long-term debt	43,598	-	-
Total expenditures	<u>16,371,503</u>	<u>5,004,767</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,284,493)</u>	<u>(128,754)</u>	<u>40,757</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	349,491	198,539	464,715
Operating transfers out	(867,687)	(37,722)	(161,255)
All other financing sources	2,620,510	-	-
Total other financing sources (uses)	<u>2,102,314</u>	<u>160,817</u>	<u>303,460</u>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(1,182,179)	32,063	344,217
Fund Balance - Beginning	<u>5,775,224</u>	<u>110,843</u>	<u>1,388,444</u>
Fund Balance - Ending	<u>\$ 4,593,045</u>	<u>\$ 142,906</u>	<u>\$ 1,732,661</u>

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

GLENN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	County School Facilities Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Revenue limit sources:			
State	\$ -	\$ 643,146	\$ 3,079,782
Local	-	363,161	1,086,608
Federal	-	339,771	7,435,007
Other state	3,914,910	134,645	10,081,148
Other local	96,328	442,038	2,255,234
Total revenues	4,011,238	1,922,761	23,937,779
EXPENDITURES			
Instruction	-	928,303	5,745,424
Instruction related services:			
Supervision of instruction	-	402,936	5,369,935
Instructional library, media, and technology	-	4,500	163,141
School site administration	-	7,325	300,448
Pupil services:			
Home-to-school transportation	-	-	604,089
All other pupil services	-	-	859,367
General administration:			
Data processing	-	-	632,716
All other general administration	-	26,556	2,256,891
Plant services	-	32,040	530,721
Facility acquisition and construction	5,631,875	-	5,631,875
Ancillary services	-	-	76,712
Community services	-	-	4,365,656
Transfers between agencies	-	273,608	2,102,840
Interest on long-term debt	-	-	43,598
Total expenditures	5,631,875	1,675,268	28,683,413
Excess (deficiency) of revenues over (under) expenditures	(1,620,637)	247,493	(4,745,634)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	155	250,589	1,263,489
Operating transfers out	-	(196,825)	(1,263,489)
All other financing sources	-	-	2,620,510
Total other financing sources (uses)	155	53,764	2,620,510
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(1,620,482)	301,257	(2,125,124)
Fund Balance - Beginning	2,643,908	1,299,671	11,218,090
Fund Balance - Ending	<u>\$ 1,023,426</u>	<u>\$ 1,600,928</u>	<u>\$ 9,092,966</u>

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

GLENN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Detail	Total
Total change in fund balances - governmental funds		\$ (2,125,124)
<p>Amounts reported for governmental activities differ from amounts reported in governmental funds as follows:</p>		
<p>Capital Outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	\$ 8,877,704	
Depreciation expense	(318,432)	
		8,559,272
<p>The net effect of miscellaneous capital asset transactions, such as sales, disposals, donations, and leasebacks, is to decrease net assets.</p>		
		(15,671)
<p>Proceeds from debt provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net assets. This amount is the net effect of proceeds and issuance costs.</p>		
		(2,620,510)
<p>Revenues in the statement of activities that do not provide current financial resources, because they will not be collected within the District's availability period, are not reported as revenues in governmental funds.</p>		
		(14,868)
<p>Increases in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses when earned.</p>		
Decreases to compensated absences	34,866	
Increases to compensated absences	(52,250)	
		(17,384)
<p>Unmatured interest on long-term debt is recognized in governmental funds in the period when it is due. However, in the statement of activities, unmatrued interest on long-term debt is accrued at year end.</p>		
		(34,898)
<p>Debt issued at a premium or at a discount is recognized as an Other Financing Source or Other Financing Use in the period it is incurred in the governmental funds. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. This is the amortization of premium or discount for the period.</p>		
		36,993
Change in net assets of governmental activities		\$ 3,767,810

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

GLENN COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COUNTY SCHOOL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Revenue limit sources:			
State	\$ 2,463,449	\$ 2,522,374	\$ 2,436,636
Local	504,226	617,829	723,447
Federal	3,216,305	4,068,894	3,809,422
Other state	4,872,394	5,208,935	4,850,814
Other local	997,514	941,416	1,266,691
Total Revenues	12,053,888	13,359,448	13,087,010
EXPENDITURES			
Certificated salaries	3,081,331	3,403,982	3,390,785
Classified salaries	3,218,975	3,706,129	3,657,737
Employee benefits	2,169,560	1,928,511	2,021,348
Books and supplies	685,354	1,581,824	989,472
Services, other operating expenses	2,020,457	4,359,673	1,668,996
Capital outlay	142,629	236,289	3,245,828
Debt service:			
Principal	-	25,939	-
Interest	-	134,526	43,598
Transfers of indirect/direct support costs	(457,592)	(517,045)	(475,493)
Other outgo	1,560,664	1,808,981	1,829,232
Total Expenditures	12,421,378	16,668,809	16,371,503
Excess (deficiency) of revenues over expenditures before other financing Sources (uses)	(367,490)	(3,309,361)	(3,284,493)
OTHER FINANCING SOURCES (USES)			
Transfers in	248,553	397,212	349,491
Transfers out	(332,072)	(859,103)	(867,687)
Other sources	-	-	2,620,510
Total Other Financing Sources (Uses)	(83,519)	(461,891)	2,102,314
Net Increase (Decrease) in Fund Balance	(451,009)	(3,771,252)	(1,182,179)
Fund Balance - Beginning	5,775,224	5,775,224	5,775,224
Fund Balance - Ending	\$ 5,324,215	\$ 2,003,972	\$ 4,593,045

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

GLENN COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CHILD DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Federal	\$ 3,144,891	\$ 3,558,153	\$ 3,285,814
Other state	1,156,041	1,403,762	1,180,779
Other local	358,519	528,300	409,420
Total Revenues	<u>4,659,451</u>	<u>5,490,215</u>	<u>4,876,013</u>
EXPENDITURES			
Certificated salaries	851,432	987,476	930,594
Classified salaries	938,864	1,003,207	939,193
Employee benefits	528,116	582,303	511,896
Books and supplies	198,798	320,807	250,700
Services, other operating expenses	1,806,555	2,218,548	1,923,447
Capital outlay	-	100,269	-
Debt service:			
Transfers of indirect/direct support costs	432,240	487,965	448,937
Total Expenditures	<u>4,756,005</u>	<u>5,700,575</u>	<u>5,004,767</u>
Excess (deficiency) of revenues over expenditures before other financing Sources (uses)	<u>(96,554)</u>	<u>(210,360)</u>	<u>(128,754)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	158,768	196,674	198,539
Transfers out	(62,214)	(52,131)	(37,722)
Total Other Financing Sources (Uses)	<u>96,554</u>	<u>144,543</u>	<u>160,817</u>
Net Increase (Decrease) in Fund Balance	-	(65,817)	32,063
Fund Balance - Beginning	<u>110,843</u>	<u>110,843</u>	<u>110,843</u>
Fund Balance - Ending	<u>\$ 110,843</u>	<u>\$ 45,026</u>	<u>\$ 142,906</u>

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

GLENN COUNTY OFFICE OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Other local	\$ -	\$ -	\$ 40,757
Total Revenues	-	-	40,757
EXPENDITURES			
Total Expenditures	-	-	-
Excess (deficiency) of revenues over expenditures before other financing Sources (uses)	-	-	40,757
OTHER FINANCING SOURCES (USES)			
Transfers in	-	465,440	464,715
Transfers out	-	(161,255)	(161,255)
Total Other Financing Sources (Uses)	-	304,185	303,460
Net Increase (Decrease) in Fund Balance	-	304,185	344,217
Fund Balance - Beginning	1,388,444	1,388,444	1,388,444
Fund Balance - Ending	\$ 1,388,444	\$ 1,692,629	\$ 1,732,661

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

GLENN COUNTY OFFICE OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2006

	Agency Funds			
	Warrant Pass-Through Fund			
	Payroll Clearing Fund	Warrant Clearing Fund	MAA Pass- Through Fund	Total
ASSETS				
Cash	\$ 68,224	\$ 418	\$ 879,240	\$ 947,882
Total Assets	\$ 68,224	\$ 418	\$ 879,240	\$ 947,882
LIABILITIES				
Accounts payable	\$ 68,224	\$ 418	\$ 879,240	\$ 947,882
Total Liabilities	\$ 68,224	\$ 418	\$ 879,240	\$ 947,882

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

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Glenn County Office of Education (County Office) is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five member Board of Education (Board) elected by registered voters of the County Office, which comprises an area in Glenn County. The County Office was established in 1891 to coordinate educational programs and provide professional support services to the School Districts in Glenn County.

B. Accounting Policies

The County Office prepares its basic financial statements in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

C. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The County Office is therefore a financial reporting entity as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units*.

The County Office has reviewed criteria to determine whether other entities with activities that benefit the County Office should be included within its financial reporting entity. The criteria include, but are not limited to, whether the County Office exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The County Office has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the County Office's general-purpose financial statements. In addition, the County Office is not aware of any entity that would exercise such oversight responsibility that would result in the County Office being considered a component unit of that entity.

D. Implementation of New Accounting Pronouncements

The County Office implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, during the year ended June 30, 2006. The implementation of this standard resulted in specific disclosures for credit risk, concentration of credit risk, interest rate risk, and custodial credit risk.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County Office implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, during the year ended June 30, 2006. This Statement establishes accounting and financial reporting standards for impairment of capital assets. No changes were made to the reported value of capital assets based on the County Office's implementation of this pronouncement.

The County Office implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1*, during the year ended June 30, 2006. This Statement is intended to improve the understandability and usefulness of the statistical section information by addressing comparability problems. While the statement is addressed to those governmental units that prepare a comprehensive annual financial report (CAFR) it is applicable to any statistical section that accompanies a government's basic financial statements.

The County Office implemented GASB Statement No. 46, *Net Assets restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, during the year ended June 30, 2006. This Statement clarifies the definition of legally enforceable enabling legislation. No changes were made to the reported value of restricted net assets based on the County Office's implementation of this pronouncement.

E. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the County Office and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the County Office's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The County Office does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

which are not classified as program revenues are presented as general revenues of the County Office, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County Office.

Fund Financial Statements:

Fund financial statements report detailed information about the County Office. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary Fund statements report on a fund type basis.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

F. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the County Office receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the County Office's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Fund Accounting

The accounts of the County Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or retained earnings, revenues, and expenditures or expenses, as appropriate. County Office resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The County Office's accounts are organized into major, and non-major governmental and fiduciary funds as follows:

Major Governmental Funds:

The *County School Service Fund* is the general operating fund of the County Office. It is used to account for all financial resources except those required to be accounted for in another fund.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The *Child Development Fund* is used to account for resources committed to child development programs maintained by the County Office.

The *Special Reserve Fund for Other Than Capital Outlay Projects* is used to account for resources reserved for economic uncertainties and resources accumulated for board designated purposes.

The *County School Facilities Fund* is used to account for State apportionments provided from State School Facility Program funding and the expenditures relating to the acquisition, construction, or renovation of approved capital facilities projects.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The County Office maintains the following non-major special revenue funds:

1. The Charter School Fund is used to account for the resources committed to and expenditures incurred by the County Office chartered William Finch Charter School.
2. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the County Office.
3. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of the County Office's facilities.
4. The Forest Reserve Fund is used to account for the proceeds from the United States Forest Service passed through Glenn County under Public Law 106-393, the *Secure Rural School and Community Self-Determination Act of 2000*, commonly known as Payments to States.
5. The Special Reserve Fund for Postemployment Benefits is used to account for the resources reserved for the provision of postemployment benefits as described in Note 11.

Fiduciary Funds:

Fiduciary Funds are used to account for resources that are required to be held in trust for individuals, private organizations, other governments and/or other funds. The District maintains the following fiduciary fund:

1. Agency Funds are used to account for assets of others for which the County Office acts as an agent. The County Office maintains an agency fund for the payroll clearing fund, warrant clearing fund and MAA pass-through fund.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the County Office'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 County Office's governing board satisfied these requirements.

These budgets are revised by the County Office's governing board and County Office superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the basic financial statements.

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

I. 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 on June 30.

J. Assets, Liabilities, and Equity

1. Deposits and Investments

The County Office's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The *California Government Code* required California banks and savings and loan associations to secure the County Office's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County Office's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the County Office cash deposits. California law also allows institutions to secure County Office deposits by pledging first trust deed mortgage notes having a value of 150% of the County Office's total cash deposits. The County Office may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The County Office, however, has not waived the collateralization requirements.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with *Education Code* Section 41001, the County Office maintains substantially all of its cash in the County Treasury. The County pools these funds with those of other governmental agencies in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. The County Office is considered to be an involuntary participant in an external 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 agreements. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. These pooled funds are not classified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

2. Stores Inventories

Inventories are recorded using a consumption method in that inventory acquisitions are initially charged to inventory and charged off as expenditures as they are consumed. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Prepaid Expenditures

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

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis and an annual convention over the following estimated useful lives:

Buildings and improvements	25
Equipment	5 - 20
Vehicles	8

5. Long-Term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources.

6. Compensated Absences and Other Employee Benefit Amounts

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

As provided in applicable negotiated contracts, employees meeting the established criteria may participate in the County Office's group health and insurance program as described in Note 11. An estimate of the present value of future benefits is recognized as a long-term liability in the statement of net assets.

7. Net Assets and Fund Balance

Government-Wide Financial Statements

Net Assets represent the difference between assets and liabilities in the government-wide financials statements. The County Office reports Net Assets in the following components:

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted Net Assets – The component of net assets for which there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted Net Assets – The component of net assets that are neither invested in capital assets nor subject to limiting restrictions.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved Fund Balance – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved Fund Balance – Composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represent tentative plans for future use of financial resources.

8. Revenue Limit/Property Tax

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

The 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. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31. The County of Glenn bills and collects the taxes for the County Office. Tax revenues are recognized by the County Office when received.

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

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The County Auditor reports the amount of the County Office's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the County Office.

The California Department of Education reduces the County Office's entitlement by the County Office's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The County Office's base revenue limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the County Office is entitled to by law. This amount is multiplied by annual ADA to derive the County Office's total entitlement.

K. Risk Management

The District participates in several joint power agreements (JPAs) as described in Note 14 for the various insurance and risk management needs that have been identified.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 2. CASH

Cash and investments at June 30, 2006 consist of the following:

	<u>County School Service Fund</u>	<u>Child Development Fund</u>	<u>Special Reserve Fund for Other Than Capital Outlay Projects</u>	
Cash				
Pooled Funds:				
Cash in county treasury	\$ 3,360,816	\$ 244,711	\$ 1,508,575	
Deposits:				
Cash on hand and in banks	1,000	-	-	
Cash collections awaiting deposit	4,589	-	-	
Cash in revolving fund	5,000	2,000	-	
Total Cash	<u>\$ 3,371,405</u>	<u>\$ 246,711</u>	<u>\$ 1,508,575</u>	
	<u>County School Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Fiduciary Funds</u>
Cash				
Pooled Funds:				
Cash in county treasury	\$ 1,351,611	\$ 1,422,059	\$ 7,887,772	\$ 947,882
Deposits:				
Cash on hand and in banks	-	-	1,000	-
Cash collections awaiting deposit	-	-	4,589	-
Cash in revolving fund	-	-	7,000	-
Total Cash	<u>\$ 1,351,611</u>	<u>\$ 1,422,059</u>	<u>\$ 7,900,361</u>	<u>\$ 947,882</u>

Interest Rate Risk

California Government Code Section 53601 limits the County Office's investments to maturities of five years. The County Office does not have a formal investment policy that limits investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates. The County Office had no investments outside the external investment pool at the Glenn County Treasury.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. CASH (Continued)

Credit Risk

California Government Code Section 53601 limits investments in commercial paper to “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO) and limits investments in medium-term notes to a rating of A or better. The County Office has no investment policy that would further limit its investment choices. The County Office’s investment in the county investment pool is unrated.

Concentration of Credit Risk

California Government Code Section 53635 places the following concentration limits on the state investment pool and the county investment pool:

- ❑ No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code Section 53601 places the following concentration limits on the County Office’s investments:

- ❑ No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in the bankers acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements of reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the County Office’s deposits may not be returned to it. The County Office does not have a deposit policy for custodial credit risk. As of June 30, 2006, the County Office had no exposure to custodial credit risk.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a bank failure, the County Office’s investments may not be returned to it. The County Office does not have a investment policy for custodial credit risk. As of June 30, 2006, the County Office’s had no exposure.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2006, expenditures exceeded appropriations in the General Fund as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Major Funds	
County School Service Fund:	
Employee benefits	\$ 92,837
Capital outlay	3,009,539
Transfers out	8,584

NOTE 4. ACCOUNTS RECEIVABLE

Accounts Receivable at June 30, 2006 consists of the following:

	County School Service Fund	Child Development Fund	County School Facilities Fund	All Other Governmental Funds	Total Governmental Funds	Due From Other Governments	Total Governmental Activities
Federal	\$ 1,385,737	\$ 416,935	\$ -	\$ 16,375	\$ 1,819,047	\$ -	\$ 1,819,047
State	627,193	40,173	105	425,645	1,093,116	-	1,093,116
Other	120,076	94,667	-	146,737	361,480	74,335	435,815
Totals	\$ 2,133,006	\$ 551,775	\$ 105	\$ 588,757	\$ 3,273,643	\$ 74,335	\$ 3,347,978

On the government-wide financial statements, accounts receivable include \$74,335 for the special education mandate settlement apportionment which will be collected from the Glenn County School Districts over the next five years.

NOTE 5. INTERFUND TRANSACTIONS AND OTHER TRANSFERS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 5. INTERFUND TRANSACTIONS AND OTHER TRANSFERS (Continued)

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2006, interfund receivables and payables were as follows:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>	<u>Purpose</u>
Child Development Fund	County School Service Fund	\$ 483,526	Indirect accrual.
	Special Reserve Fund for Other Than Capital Outlay Projects		Contribution to various set asides.
County School Service Fund		377,986	
Charter Schools Fund	County School Service Fund	226,384	Administration fee and prior year adjustments.
Special Reserve Fund for Other Than Capital Outlay Projects	County School Service Fund	107,589	Contribution for Special Education encroachment.
Adult Education Fund	County School Service Fund	97,307	Indirect.
County School Service Fund	Adult Education Fund	95,781	Contribution and revenue limit apportionment transfers.
County School Service Fund	Child Development Fund	54,211	Categorical transfers.
Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund For Postemployment Benefits	46,311	Contribution postemployment benefits.
County School Service Fund	Special Reserve Fund For Postemployment Benefits	21,369	Contribution.
County School Service Fund	Charter Schools Fund	7,884	Categorical transfer.
Special Reserve Fund For Postemployment Benefits	County School Service Fund	2,370	Contribution postemployment benefits.
County Schools Facilities Fund	County School Service Fund	1,378	Contribution.
Total		<u>\$ 1,522,096</u>	

All interfund receivables and payables are scheduled to be paid within one year.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5. INTERFUND TRANSACTIONS AND OTHER TRANSFERS (Continued)

Interfund Transfers

Interfund transfers consist of nonreciprocal operating movements of net assets from funds receiving revenue to funds through which the resources are to be expended. As of June 30, 2006, interfund transfers are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Child Development Fund	County School Service Fund	\$ 198,539	Business and personnel services support.
Deferred Maintenance Fund	County School Service Fund	78,622	State required Deferred Maintenance match.
Special Reserve Fund for Other Than Capital Outlay Projects	County School Service Fund	464,715	Special Education set asides for bus replacement and other; set aside for AB 1200 reserve.
Special Reserve Fund for Postemployment Benefits	County School Service Fund	18,999	Contribution.
Special Reserve Fund for Postemployment Benefits	Special Reserve Fund for Other Than Capital Outlay Projects	46,311	Contribution to postemployment benefits
County School Service Fund	Special Reserve Fund for Other Than Capital Outlay Projects	114,944	Encroachment Special Education.
County School Service Fund	Special Reserve Fund for Postemployment Benefits	30,664	Transfer to support postemployment benefits.
Charter School Fund	County School Service Fund	79,650	Transfer categorical.
Adult Education Fund	County School Service Fund	27,007	Transfer categorical.
County School Service Fund	Charter School Fund	111,980	Administration fees due.
County School Service Fund	Adult Education Fund	7,454	Building costs.
County School Service Fund	Child Development Fund	37,722	Building costs.
County School Service Fund	Forest Reserve Fund	46,727	County Office's share of Forest Reserve.
County School Facilities Fund	County School Service Fund	155	Contribution.
Total		<u>\$ 1,263,489</u>	

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 5. INTERFUND TRANSACTIONS AND OTHER TRANSFERS (Continued)

Other Sources

The County Office entered into a Certificates of Participation and a Capital Lease Payable as described in Note 7 and Note 8 which resulted in other sources of funding as follows:

	<u>Sources</u>
County School Service Fund	<u>\$ 2,620,510</u>
Total	<u><u>\$ 2,620,510</u></u>

NOTE 6. CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2006, are shown below:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Capital Assets Not Being Depreciated:				
Land	\$ 112,371	\$ 633,551	\$ -	\$ 745,922
Construction in progress	<u>5,310,865</u>	<u>5,631,875</u>	<u>(1,478,566)</u>	<u>9,464,174</u>
Total Capital Assets Not Being Depreciated	<u>5,423,236</u>	<u>6,265,426</u>	<u>(1,478,566)</u>	<u>10,210,096</u>
Capital Assets Being Depreciated:				
Land improvements	-	39,021	-	39,021
Buildings and improvements	1,765,420	1,900,654	1,478,566	5,144,640
Equipment	459,991	442,338	(15,604)	886,725
Vehicles	<u>507,251</u>	<u>230,265</u>	<u>(10,200)</u>	<u>727,316</u>
Total Capital Assets Being Depreciated	<u>2,732,662</u>	<u>2,612,278</u>	<u>1,452,762</u>	<u>6,797,702</u>
Less Accumulated Depreciation for:				
Land improvements	-	(1,561)	-	(1,561)
Buildings and improvements	(829,940)	(199,526)	-	(1,029,466)
Equipment	(198,476)	(68,605)	3,121	(263,960)
Vehicles	<u>(423,823)</u>	<u>(48,740)</u>	<u>7,012</u>	<u>(465,551)</u>
Total Accumulated Depreciation	<u>(1,452,239)</u>	<u>(318,432)</u>	<u>10,133</u>	<u>(1,760,538)</u>
Total Capital Assets Being Depreciated, Net	<u>1,280,423</u>	<u>2,293,846</u>	<u>1,462,895</u>	<u>5,037,164</u>
Total Governmental Activities Capital Assets, Net	<u><u>\$ 6,703,659</u></u>	<u><u>\$ 8,559,272</u></u>	<u><u>\$ (15,671)</u></u>	<u><u>\$ 15,247,260</u></u>

The above deductions may include reclassifications of completed construction in progress.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6. CAPITAL ASSETS (Continued)

Decreases in the County Office's capital assets included:

- The transfer of constructed assets in the amount of \$1,478,566 from non-depreciable construction in progress to buildings to be depreciated according to the County Office's depreciation policy.

The County Office did not have any idle capital assets at June 30, 2006.

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 130,494
Instruction related services:	
Supervision of instruction	72,716
Instructional library, media, and technology	18,864
School site administration	14,973
Pupil services:	
Home-to-school transportation	41,704
General administration:	
Data processing	15,122
All other general administration	15,778
Plant services	4,424
Community services	4,357
Total Depreciation Expense	<u>\$ 318,432</u>

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 7. CERTIFICATES OF PARTICIPATION PAYABLE

During the 2005/2006 year, the County Office issued \$2,538,000 of Certificates of Participation (COP). The COPs were issued to provide financing of the new Orland Office Building. The terms of the certificates call for the County Office to pay lease fees on properties owned by the County Office and held as security on the certificates by the lesser. The COPs have a stated rate of interest of 4.125 percent. Future debt service requirements related to this liability are as follows:

<u>For the Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest *</u>	<u>Total</u>
2007	\$ 38,000	\$ 17,318	\$ 55,318
2008	25,000	17,102	42,102
2009	30,000	16,913	46,913
2010	30,000	16,706	46,706
2011	30,000	16,500	46,500
2012 - 2016	165,000	79,252	244,252
2017 - 2021	210,000	72,806	282,806
2022 - 2026	255,000	64,883	319,883
2027 - 2031	320,000	55,000	375,000
2032 - 2036	385,000	42,952	427,952
2037 - 2041	475,000	28,273	503,273
2042 - 2046	575,000	10,226	585,226
Totals	<u>\$ 2,538,000</u>	<u>\$ 437,931</u>	<u>\$ 2,975,931</u>

* Future interest payments are estimates and were not provided by the lender.

NOTE 8. LEASES

Capital Leases

The County Office leases vehicles valued at \$82,510 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>For the Fiscal Year Ended June 30:</u>	<u>Principal Payment</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 15,938	\$ 2,662	\$ 18,600
2008	15,538	3,062	18,600
2009	16,252	2,348	18,600
2010	17,000	1,600	18,600
2011	17,782	818	18,600
Totals	<u>\$ 82,510</u>	<u>\$ 10,490</u>	<u>\$ 93,000</u>

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 9. COMPENSATED ABSENCES

Accumulated vacation is not accrued in governmental funds. It must be paid to an employee upon termination, but it is generally applied in the year earned or a succeeding year. The County Office has reported an estimated liability due within one year in the amount of \$92,759 relative to compensated absences earned but not used at June 30, 2006. Expenditures related to this liability are accounted for in the fund in which the related salaries are recorded.

NOTE 10. GENERAL LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2006 is shown below:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within One Year
Certificates of participation payable	\$ -	\$ 2,538,000	\$ -	\$ 2,538,000	\$ 38,000
Capital lease payable	-	82,510	-	82,510	15,938
Compensated absences	75,375	52,250	34,866	92,759	92,759
Totals	<u>\$ 75,375</u>	<u>\$ 2,672,760</u>	<u>\$ 34,866</u>	<u>\$ 2,713,269</u>	<u>\$ 146,697</u>

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 15, the County Office provides postretirement health care benefits to all employees who retire from the County Office on or after attaining age 55 with at least 15 consecutive years of service. On June 30, 2006, five retirees met these eligibility requirements.

The County Office pay 100% 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, 2006, expenditures of \$29,688 were recognized for postretirement health care.

NOTE 12. RESTRICTED NET ASSETS

The County Office is a recipient of federal and state awards restricted categorical programs and as a result reported restricted net assets in the amount of \$1,239,594. The County Office is not aware of any planned changes to the underlying legislation enabling restrictions.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 13. STATE AND FEDERAL ALLOWANCES, AWARDS, AND GRANTS

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

NOTE 14. JOINT POWERS AGREEMENTS

The County Office is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2006, the County Office participated in several joint powers agreements (JPAs) to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years.

The various JPAs and the services they provide the County Office are as follows:

The Golden State Risk Management Authority (GSRMA), the Tri-Counties School Insurance Group (TCSIG), and the Schools Excess Liability Fund (SELF). The JPAs arrange for and provide property and liability, health care, and excess liability coverage for their members.

The relationship between the County Office and the JPAs is such that the JPAs are not component units of the County Office for financial reporting purposes. The JPAs are governed by boards consisting of representatives from the member agencies. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member district pays premiums commensurate with the level of coverage or service requested, and shares surpluses and deficits proportionate to its participation in the JPA. Separately issued financial statements can be requested from each JPA.

NOTE 15. EMPLOYEE RETIREMENT SYSTEMS

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

STRS:

Plan Description and Provisions - The County Office contributes to the 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'

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 and the County Office is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005/2006 was 8.25% of annual payroll.

The contribution requirements of the plan members are established by state statute. The County Office's contribution to STRS for the fiscal year ending June 30, 2006, 2005, and 2004 were \$474,101, \$358,092 and \$306,038 respectively, and equal 100% of the required contributions for each year.

CalPERS:

Plan Description and Provisions - The County Office contributes to the School Employer Pool under the 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, CA 95814.

Funding Policy - Active plan members are required to contribute 7.0% of their salary and the County Office is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2005/2006 was 9.116% of annual payroll. The contribution requirements of the plan members are established by State statute. The County Office's contributions to CalPERS for the fiscal year ending June 30, 2006, 2005 and 2004 were \$387,204, \$346,516 and \$345,859, respectively and equal 100% of the required contributions for each year.

Social Security:

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The County Office has elected to use Social Security.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 15. EMPLOYEE RETIREMENT SYSTEMS (Continued)

On Behalf Payment:

The State of California makes contributions to STRS and PERS on behalf of the County Office. These payments consist of State General Fund contributions to STRS and contributions to PERS for the year ended June 30, 2006. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

NOTE 16. CONTINGENT LIABILITIES

The County Office was involved in a lawsuit with a newspaper and its publisher. The lawsuit has been resolved, however, it is probable that the County Office will be required to pay some amount of legal fees for the plaintiff. The County Office does not have an estimate of the amount of these fees but does not believe they will be material to the financial statements.

SUPPLEMENTARY INFORMATION

GLENN COUNTY OFFICE OF EDUCATION
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	Special Revenue Funds					
	Charter Schools	Adult Education	Deferred Maintenance	Forest Reserve	Special Reserve Fund for Postemployment Benefits	Total Other Governmental
ASSETS						
Cash	\$ 305,651	\$ 350	\$ 1,098,679	\$ 279	\$ 17,100	\$ 1,422,059
Accounts receivable	504,944	83,813	-	-	-	588,757
Due from other funds	7,884	95,781	-	-	67,680	171,345
	<u>\$ 818,479</u>	<u>\$ 179,944</u>	<u>\$ 1,098,679</u>	<u>\$ 279</u>	<u>\$ 84,780</u>	<u>\$ 2,182,161</u>
Total Assets						
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 245,797	\$ 6,102	\$ -	\$ -	\$ -	\$ 251,899
Due to other funds	226,384	97,307	-	-	2,370	326,061
Deferred revenue	-	3,273	-	-	-	3,273
	<u>472,181</u>	<u>106,682</u>	<u>-</u>	<u>-</u>	<u>2,370</u>	<u>581,233</u>
Total Liabilities						
Fund Balance:						
Reserved for:						
Unreserved:						
Undesignated, reported in:						
Special revenue funds	346,298	73,262	1,098,679	279	82,410	1,600,928
	<u>346,298</u>	<u>73,262</u>	<u>1,098,679</u>	<u>279</u>	<u>82,410</u>	<u>1,600,928</u>
Total Fund Balance						
	<u>\$ 818,479</u>	<u>\$ 179,944</u>	<u>\$ 1,098,679</u>	<u>\$ 279</u>	<u>\$ 84,780</u>	<u>\$ 2,182,161</u>
Total Liabilities and Fund Balance						

See accompanying notes to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
OTHER GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					Total Other Governmental
	Charter Schools	Adult Education	Deferred Maintenance	Forest Reserve	Special Reserve Fund for Postemployment Benefits	
REVENUES						
Revenue limit sources:						
State	\$ 625,515	\$ 17,631	\$ -	\$ -	\$ -	\$ 643,146
Local	-	363,161	-	-	-	363,161
Federal	-	33,070	-	306,701	-	339,771
Other state	56,023	-	78,622	-	-	134,645
Other local	252,670	159,264	29,002	278	824	442,038
Total Revenues	934,208	573,126	107,624	306,979	824	1,922,761
EXPENDITURES						
Certificated salaries	492,374	165,345	-	-	-	657,719
Classified salaries	39,130	167,759	-	-	-	206,889
Employee benefits	130,597	87,487	-	-	-	218,084
Books and supplies	48,670	29,521	-	-	-	78,191
Services, other operating expenses	78,817	117,383	18,021	-	-	214,221
Transfers between agencies	7,035	-	-	266,573	-	273,608
Transfers of indirect/direct support costs	-	26,556	-	-	-	26,556
Total Expenditures	796,623	594,051	18,021	266,573	-	1,675,268
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	137,585	(20,925)	89,603	40,406	824	247,493
OTHER FINANCING SOURCES (USES)						
Transfers in	79,650	27,007	78,622	-	65,310	250,589
Transfers out	(111,980)	(7,454)	-	(46,727)	(30,664)	(196,825)
Total Other Financing Sources (Uses)	(32,330)	19,553	78,622	(46,727)	34,646	53,764
Net Increase (Decrease) in Fund Balance	105,255	(1,372)	168,225	(6,321)	35,470	301,257
Fund Balance - Beginning	241,043	74,634	930,454	6,600	46,940	1,299,671
Fund Balance - Ending	\$ 346,298	\$ 73,262	\$ 1,098,679	\$ 279	\$ 82,410	\$ 1,600,928

See accompanying notes to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Annual		
	2005/2006	2004/2005	Difference
ELEMENTARY			
Juvenile Hall, Homes, and Camps	4	3	1
Opportunity schools and full-day opportunity classes	32	32	-
Elementary Totals	36	35	1
HIGH SCHOOL			
Juvenile Hall, Homes, and Camps	24	25	(1)
Opportunity schools and full-day opportunity classes	3	5	(2)
Regional Occupational Program	349	349	-
Special Education	26	30	(4)
Adults (E.C. Section 52616.21)	153	140	13
High School Totals	555	549	6
ADA Totals	591	584	7

See accompanying notes to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Second Period Report	Annual Report
<u>County Operated Special Day Classes</u>		
Elementary:		
Special Education - Special Day Class	70	71
Extended Year ADA:		
Special Education - Special Day Class	4	3
Elementary Totals	74	74
High School:		
Special Education - Special Day Class	52	53
Special Education - Special Day Class	2	1
High School Totals	54	54
Average Daily Attendance Totals	128	128
	Second Period Report	Annual Report
<u>William Finch Charter</u>		
Elementary:		
Kindergarten	3	3
Grades One Through Three	23	23
Grades Four Through Six	32	32
Grades Seven and Eight	27	29
Elementary Totals	85	87
High School:		
Grades Nine Through Twelve	72	73
High School Totals	72	73
Totals	157	160

See accompanying notes to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Grade Level	1986/1987 Minutes Requirement	2005/2006 Actual Minutes	Number of Days Traditional Calendar ¹	Status
Kindergarten	36,000	36,000	180	In Compliance
Grades One Through Three	50,400	52,200	180	In Compliance
Grades Four Through Six	54,000	54,720	180	In Compliance
Grades Seven Through Eight	54,000	64,024	180	In Compliance
Grade Nine Through Twelve	64,800	64,936	180	In Compliance

¹ The Districts within the County did not utilize a multitrack calendar during the 2005/2006 year.

GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

County School Service Fund:	(Budgeted) 2006/2007	2005/2006	2004/2005	2003/2004
Revenues and Other Financing Sources	\$ 14,146,439	\$ 16,057,011	\$ 11,604,423	\$ 10,591,860
Expenditures	14,495,257	16,371,501	10,909,402	10,330,316
Other Uses and Transfers Out	354,012	867,687	473,604	102,547
Total Outgo	14,849,269	17,239,188	11,383,006	10,432,863
Change in Fund Balance	(702,830)	(1,182,177)	221,417	158,997
Ending Fund Balance	\$ 3,890,217	\$ 4,593,047	\$ 5,775,224	\$ 5,553,807
Available Reserves ¹	\$ 4,317,880	\$ 5,800,882	\$ 4,118,668	\$ 3,772,107
Designated for Economic Uncertainties	\$ 850,000	\$ 850,000	\$ 850,000	\$ 850,000
Undesignated Fund Balance	\$ 3,467,880	\$ 4,950,882	\$ 3,118,668	\$ 2,748,848
Available Reserves as a percentage of Total Outgo	29.1%	33.6%	36.2%	36.2%
Total Long-Term Debt	\$ 2,566,572	\$ 2,713,269	\$ 75,375	\$ 75,639
Average Daily Attendance at Annual	823	719	730	707

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

The County School Service Fund balance has decreased by \$960,760 over the past two years. The fiscal year 2006/2007 budget projects a decrease of \$702,830 (-8.3%). For a County Office of this size, the state recommends available reserves of at least 3% of total County School Service Fund expenditures, transfers out, and other uses (other outgo).

The County Office has incurred an operating deficit in one of the past three years. Total long-term debt has increased by \$2,637,630 over the past two years.

Average daily attendance has decreased by 12 ADA over the past two years. The ADA is anticipated to increase 104 ADA during the fiscal year 2006/2007.

¹ Available reserves consists of all undesignated fund balances and all funds designated for economic uncertainty contained within the general fund, and special reserve fund (other than capital outlay projects).

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Passed through California Department of Education			
NCLB: Title I - Basic School Support, Statewide System of School Support	84.010	14416	\$ 10,974
NCLB: Title I - Part D - Local Delinquent Programs	84.010	14357	19,274
Title I Grants To Local Educational Agencies	84.010	****	50,000
Special Ed - IDEA Basic Local Assistance Entitlement, Part B, Sec 611 (Formerly 94-142)	84.027	13379	933,258
Special Ed - IDEA Preschool Grants, Part B - Sec 619 (Age 3-4-5)	84.173	13430	41,208
Special Ed - IDEA Preschool Local Entitlement - Part B - Sec 611 (Age 3-5)	84.027A	13682	56,056
Special Ed - IDEA Mental Health Allocation Plan - Part B - Sec 611	84.027	14468	75,408
Special Ed - IDEA Infant Discretionary - Part B - Sec 611	84.027A	13612	2,227
Special Ed - IDEA Local Staff Development Grants - Part B - Sec 611	84.027A	13613	6,778
Special Ed - IDEA Preschool Staff Development - Part B - Sec 619	84.173A	13431	1,000
Special Ed - IDEA Low-Incidence Entitlement - Part B - Sec 617	84.027A	13459	31,637
Special Ed - IDEA Early Intervention Grants, Part C	84.181	23761	34,422
Vocational Programs: Vocational and Applied Tech Prep Programs - Title II - Sec 203	84.243	13929	2,375
Vocational Programs: Vocational and Applied Tech Secondary II C - Sec 131	84.048	13924	49,866
Vocational Programs: Adult Sec 132	84.048	13923	4,345
NCLB: Title IV - Part A - Safe & Drug Free Schools and Communities, Formula Grants	84.186	14347	7,540
NCLB: Title IV Drug-Free Schools: Program Development	84.186	13452	9,777
NCLB: Title IV, Part A, Safe & Drug-Free Schools and Communities	84.186	14378	21,638
NCLB: Title IV - Safe & Drug Free Schools and Communities	84.186	****	62
Safe and Drug-Free Schools and Communities	84.186	****	6,370
Title VIII - Reading Excellence Act - Tutorial Assistance Grant	84.338	14185	6,075
Adult Education - Family Literacy	84.002	13977	5,175
Adult Education - Adult Secondary Education	84.002	13978	2,475
Adult Education - English Literacy & Civic Education	84.002A	14109	15,000
NCLB: Title II - Part A - Principal Training	84.367	14344	6,300
NCLB: Title V - Part A - Innovative Education Strategies	84.298A	14354	1,756
NCLB: Title IV - Part B - 21st Century Community Centers Learning Program	84.287	14349	639,120
NCLB: Title X - McKinney-Vento Homeless Assistance Grants	84.196	14332	138,797
Teaching American History	84.215X	****	196,700
Passed through California Department of Education			
Early Childhood Educator Professional Development	84.349A	****	59,703
Direct Funding			
NCLB: Title VI, Part B, Rural & Low Income School Program	84.358	****	61,777
Total Direct Funding from the U.S. Department of Education			2,497,093

See accompanying notes to supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through California Department of Education			
Child Development - Quality Improvement	93.575	13979	67,292
Child Development - Federal Alternative Payment	93.596	13694	278,310
Child Development - Local Planning Councils (Contract Prefix CLPC)	93.575	13946	87,673
Child Development - Federal Alternative Payment - Stage II	93.575	13625	277,337
Child Development - Federal Alternative Payment - Stage III	93.596	14049	153,959
Child Development - Federal Resource and Referral	93.596	13934	88,895
Child Development - Infant/Toddler Child Care Resource Contracts	93.575	13942	27,670
Passed through CSU, Chico Research Foundation			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	****	16,896
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	****	120,187
Passed through California Department of Education			
Medi-Cal Billing Option	93.778	10013	215,636
Medi-Cal Administration Activities (MAA)	93.778	10060	958,092
Direct Funding			
Head Start	93.600	10016	2,206,343
Total U.S. Department of Health and Human Services			<u>4,498,290</u>
U.S. Department of Agriculture:			
Passed through California Department of Education			
Child Nutrition - Child Care Food Program - Claims-Centers and Family Day Care Homes	10.558	13393	98,334
Passed through CSU, Chico Research Foundation			
Nutrition Services Incentive	10.570	****	20,006
Passed through the County of Glenn			
Forest Reserve	10.665	10044	40,127
Passed through the County of Colusa			
Forest Reserve	10.665	10044	266,573
Passed through the Forest Service			
Secure Rural Schools and Community Self-Determination Act of 2000	10.665	****	9,803
Direct Funding			
Community Facilities Loans And Grants	10.766	****	2,538,000
Total U.S. Department of Agriculture			<u>2,972,843</u>
U.S. Department of the Interior:			
Passed Through Tehama County Department of Education			
Fish and Wildlife Management Assistance	15.608	****	4,781
Total U.S. Department of Interior Pass Through			<u>4,781</u>
Total Federal Categorical Aid Programs			<u>\$ 9,973,007</u>

See accompanying notes to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND
BUDGET REPORT (SACS) WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Capital Assets
June 30, 2006 Annual Financial and Budget Report (SACS)	
Capital Assets	\$ -
Adjustments and Reclassifications:	
Capital Assets:	
Land	745,922
Construction in progress	9,464,174
Land Improvements	39,021
Buildings and improvements	5,144,640
Equipment and vehicles	1,614,041
Depreciation:	
Land improvements	(1,561)
Buildings and improvements	(1,029,466)
Equipment and vehicles	(729,511)
	\$ 15,247,260
June 30, 2006 Audited Financial Statement Balance	\$ 15,247,260

	Long-Term Debt
June 30, 2006 Annual Financial and Budget Report (SACS)	
Long-Term Debt	\$ 2,652,461
Adjustments and Reclassifications:	
Long-Term Debt:	
Certificates of participation payable	2,538,000
Lease purchase obligations	(2,477,192)
	\$ 2,713,269
June 30, 2006 Audited Financial Statement Balance	\$ 2,713,269

See accompanying notes to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Charter School</u>	<u>Status</u>	<u>Included in Audit Report</u>
William Finch Charter School	Active	Yes

See accompanying notes to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1. PURPOSE OF SCHEDULES

A. Other Governmental Funds Financial Schedules

These schedules provide information on the Glenn County Office of Education's (County Office) Governmental non-major funds, by object.

B. Schedule of Average Daily Attendance

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

C. Schedule of Instructional Time

Districts must maintain their instructional minutes at either the 1982/1983 actual minutes or the 1986/1987 requirement, whichever is greater, as required by *Education Code* Section 46201.

The County Office 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 instruction time offered by the district and whether the district complied with the provisions of *Education Code* Sections 46201 through 46206.

D. Schedule of Financial Trends and Analysis

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

E. Schedule of Expenditures of Federal Awards

Office of Management and Budget (OMB) Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state requirements.

F. Reconciliation of Annual Financial and Budget Report (SACS) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total balances of capital assets and general long-term debt as reported on the SACS to the audited financial statements.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1. PURPOSE OF SCHEDULES (Continued)

G. Early Retirement Incentive Program

The County Office may adopt an early retirement incentive program, pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the County Office. There were no participants in the early retirement incentive program, therefore this schedule has not been included for 2005/2006.

H. Charter School

This schedule represents a complete listing of all charter schools authorized by the County Office and indicates whether their financial activities and balances have been included in the County Office's annual audited financial statements for the fiscal year ended June 30, 2006.

NOTE 2. BASIS OF PRESENTATION

A. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grants activity of the County Office and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

County Board of Education
Glenn County Office of Education
Willows, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Glenn County Office of Education (County Office) as of and for the year ended June 30, 2006, which collectively comprise the County Office's basic financial statements and have issued our report thereon dated April 12, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-2 and 2006-3.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the County Board of Education, management, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Cahill & Associates, CPAs

Lakeport, California
April 12, 2007

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

County Board of Education
Glenn County Office of Education
Willows, California

Compliance

We have audited the compliance of the Glenn County Office of Education (County Office) 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, 2006. The County Office's major federal programs are identified in the summary of auditor's 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 County Office's management. Our responsibility is to express an opinion on the County Office'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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County Office's compliance with those requirements.

In our opinion, the County Office 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, 2006.

Internal Control over Compliance

The management of the County Office 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 County Office'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 the internal control over compliance in accordance with OMB Circular A-133.

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 reportable 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 caused by error or fraud 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 of the County Board of Education, management, 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.

Robertson, Cahill & Associates, CPAs

Lakeport, California
April 12, 2007

AUDITOR'S REPORT ON STATE COMPLIANCE

County Board of Education
Glenn County Office of Education
Willows, California

We have audited the financial statements of the Glenn County Office of Education (County Office) as of and for the year ended June 30, 2006, and have issued our report thereon dated April 12, 2007. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2005/2006 *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, as described in the *California Code of Regulations*, Title 5, §19810 and following. 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 that our audit provides a reasonable basis for our opinion.

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

Description	Procedures in the Audit Guide	Procedures Performed
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not applicable
Independent Study	22	Not applicable
Continuation Education	10	Not applicable
Adult Education	9	Yes
Regional Occupational Centers and Program	6	Yes
Instructional Time (School Districts)	4	Not applicable
Instructional Time (County Offices of Education)	3	Yes
Community Day Schools	9	Not applicable
Morgan-Hart Class Size Reduction General Requirements	7	Not applicable
Instructional Materials General Requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Not applicable
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Not applicable
State School Facilities Funds	1	Yes
Alternative Pension Plans	2	Yes
Prop 20 Lottery Funds (Cardenas Textbook Act 2000)	2	Yes
State Lottery Funds (1984 Act)	2	Yes
Cal-SAFE Program	3	Not applicable
School Accountability Report Card	3	Yes
Class Size Reduction General Requirements	7	Not applicable
Option One	3	Not applicable
Option Two	4	Not applicable
Districts or Charter Schools with only one school serving K-3	4	Not applicable
Contemporaneous Records of Attendance	1	Yes
Nonclassroom-Based Instruction/Independent Study	15	Yes
Additional Nonclassroom-Based Instruction	1	Yes
Determination of Funding for Nonclassroom-Based Instruction	3	Yes
Annual Instructional Minutes - Classroom Based	3	Not applicable

Based on our audit, we found that, for the items tested, the County Office complied with the State laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the County Office had not complied with the State laws and regulations.

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

Robertson, Cahill & Associates, CPAs

Lakeport, California
April 12, 2007

FINDINGS AND RECOMMENDATIONS SECTION

GLENN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<i>unqualified</i>		
Internal control over financial reporting:			
Material weakness identified?	Yes	<u> X </u>	No
Reporting condition identified not considered to be material weaknesses?	<u> X </u>	Yes	None
Noncompliance material to financial statements noted?	Yes	<u> X </u>	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	<i>unqualified</i>		
Internal control over financial reporting:			
Material weakness identified?	Yes	<u> X </u>	No
Reporting condition identified not considered to be material weaknesses?	Yes	<u> X </u>	None
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes	<u> X </u>	No

Identification of major program

CFDA Number	Name of Federal Program or Cluster
84.287	Title IV 21st Century Community Centers Learning Program
10.665	Forest Reserve
10.766	Community Facilities Loans And Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000		
Auditee qualified as low-risk auditee?	<u> X </u>	Yes	No

State Awards

Type of auditor's report issued on compliance for state programs:	<i>unqualified</i>		
Internal control over financial reporting:			
Material weakness identified?	Yes	<u> X </u>	No
Reporting condition identified not considered to be material weaknesses?	<u> X </u>	Yes	None

GLENN COUNTY OFFICE OF EDUCATION
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Section II - Financial Statement Findings

2006-1 Deficit Spending / State Code 30000

As of June 30, 2006, the County School Service Fund available reserves were in excess of the State recommended reserves for a County Office of this size; however the County Office incurred a deficit in the current fiscal year and the County Office has planned a deficit again in the 2006/2007 year.

While the current rate of deficit spending will not reduce the County Office's available reserves to the State recommended reserve levels for some time. Any change to the County Office's budget could exacerbate the situation.

Recommendation

The County Office should continue to closely monitor the budget.

County Office Response and Action Plan

The County Office plans a deficit spending budget again for the 2006/2007 year, however intends to move to a balanced budget beginning with the 2007/2008 year.

GLENN COUNTY OFFICE OF EDUCATION
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

2006-2 GASB 34 Financial Reporting Model / State Code 30000

The Governmental Accounting Standards Board (GASB) has issued an accounting and reporting standard, GASB 34, which has been incorporated into the California School District reporting model. GASB 34 represents the most fundamental change in governmental accounting ever in that the new statements encompass full accrual accounting including depreciation of fixed assets, and the recognition of long-term debt as a liability within the statements. While the governmental fund type, modified accrual basis statements have not been completely abandoned, there are significant reporting changes augmented by a reconciliation between the modified accrual basis and the full accrual basis reports.

The year-end conversion process from the modified accrual basis to the full accrual basis required in the government-wide statements would be further facilitated by the development of additional reviews of the fund accounting being performed. For example, a regular review and reconciliation of the amounts expended to object codes in the 6000 series and to function 8500 against the additions to capital assets would greatly enhance the ease with which this conversion can be made.

Recommendation

Additional accounting procedures as described above should be developed in order to facilitate the conversion of the County Office's financial data from a modified accrual, fund accounting basis to a full accrual, government-wide basis.

County Office Response and Action Plan

We intend to fully implement this recommendation.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs relative to federal awards or programs.

GLENN COUNTY OFFICE OF EDUCATION
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Section IV - State Award Findings and Questioned Costs

2006-3 Internal Controls over Attendance Accounting / State Code 10000

Adult and Regional Occupation educational programs provide a variety of courses for adult students and regular program pupils. The apportionment is based on the county Annual Report of Attendance. The hourly based attendance system is required.

Instructors at Glenn County Office of Education record the attendance on scantron sheets and submit them to the administrator for recording. During our testing we noted variances in the supporting documentation in both the adult education and ROP records. Calculations of time on the summary reports were not consistent due to some default settings in the attendance system. The difference in both programs netted to an immaterial ADA adjustment and therefore did not result in a fiscal impact.

Recommendation

The County Office of Education should review their policies and procedures over attendance accounting for both of these programs. Improved internal controls will result in the discovery of discrepancies in a timely manner to insure the attendance reporting does not get reported incorrectly.

County Office Response and Action Plan

This recommendation will be implemented.

GLENN COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>County Office Explanation, If Not Implemented</u>
1. The County Office should increase instructional minutes for grades nine through twelve at Princeton Joint Unified School District to the minimum required of 64,800 in order to be in compliance with state requirements.	Implemented	