

**GLENN COUNTY
OFFICE OF EDUCATION**

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2010**

*christy***WHITE** *A Professional Accountancy Corporation*

**GLENN COUNTY OFFICE OF EDUCATION
 AUDIT REPORT
 For the Fiscal Year Ended June 30, 2010
 Table of Contents**

FINANCIAL SECTION

	<u>Page</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	3
Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Governmental Fund Financial Statements:	
Balance Sheet.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Asset.....	19
Notes to Financial Statements	20

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – County School Service Fund	43
Budgetary Comparison Schedule – Child Development Fund	44
Budgetary Comparison Schedule – Special Reserve for Other than Capital Outlay Fund.....	45
Schedule of Funding Progress.....	46

**GLENN COUNTY OFFICE OF EDUCATION
AUDIT REPORT
For the Fiscal Year Ended June 30, 2010
Table of Contents**

SUPPLEMENTARY INFORMATION

	<u>Page</u>
Local Educational Agency Organization Structure	47
Schedule of Average Daily Attendance	48
Schedule of Instructional Time	49
Schedule of Financial Trends and Analysis.....	50
Schedule of Expenditures of Federal Awards.....	51
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	53
Schedule of Charter Schools	54
Note to the Supplementary Information	55

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 <i>Government Auditing Standards</i>	56
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	58
Independent Auditor’s Report on State Compliance	60

FINDINGS AND QUESTIONED COSTS SECTION

Schedule of Audit Findings and Questioned Costs.....	62
Summary Schedule of Prior Audit Findings	67

Board of Trustees
Glenn County Office of Education
Willows, California

INDEPENDENT AUDITOR'S REPORT

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, as of and for the year ended June 30, 2010 which collectively comprise the County Office of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Glenn County Office of Education'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. 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 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 Glenn County Office of Education, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2010 on our consideration of the Glenn County Office of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12, the budgetary comparison schedules on pages 43 through 45, and the schedule of funding progress on page 46 are 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, which consisted 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 Glenn County Office of Education's basic financial statements. The accompanying financial information listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Christine White Accountancy Corporation

San Diego, California
December 11, 2010

Management's Discussion and Analysis

GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

This discussion and analysis of Glenn County Office of Education's financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the County Office of Education's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The County Office of Education's overall government-wide revenues were \$23.1 million, \$322,883 less than expenses and a decline of .5% over the prior year. The total cost of basic programs was \$23.4 million, a reduction of 5% over the prior year. Total net assets decreased 2% over the course of the year.
- Revenues exceed expenditures in the County School Service Fund and available fund balance reserves were stable at 19% of total outgo.
- The County Office of Education increased its outstanding long-term debt 4%, due largely to an increase in other postemployment benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

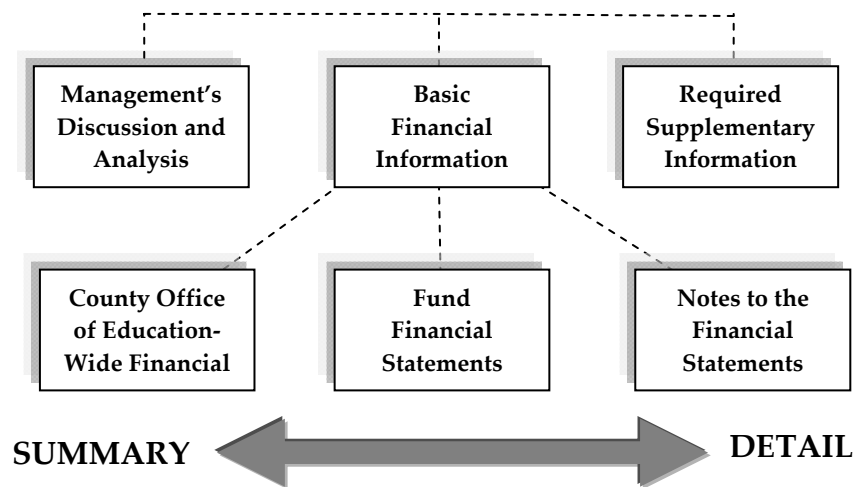
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County Office of Education:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the County Office of Education's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the County Office of Education, reporting the County Office of Education's operations in more detail than the government-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary funds* statements provide information about the financial relationships in which the County Office of Education acts solely as a trustee or agent for the benefit of others to whom the resources belong.

GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Glenn County Office of Education's Annual Financial Report



GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

Figure A-2 summarizes the major features of the County Office of Education's financial statements, including the portion of the County Office of Education's activities they cover and the types of information they contain.

Figure A-2. Major Features of the Government-Wide and Fund Financial Statements

Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire County Office of Education, except fiduciary activities	The activities of the County Office of Education that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the County Office of Education administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The County Office of Education's funds do not currently contain non-financial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the County Office of Education as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County Office of Education'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 of Education's net assets and how they have changed. Net assets – the difference between the County Office of Education's assets and liabilities – is one way to measure the County Office of Education's financial health or position.

- Over time, increases and decreases in the County Office of Education's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the County Office of Education, you need to consider additional non-financial factors such as changes in the County Office of Education's property tax base and the condition of school buildings and other facilities.
- In the government-wide financial statements, the County Office of Education's activities are categorized as *Governmental Activities*. Most of the County Office of Education's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County Office of Education's most significant funds – not the County Office of Education as a whole. Funds are accounting devices the County Office of Education uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The County Office of Education establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

The County Office of Education has two kinds of funds:

- *Governmental funds* – Most of the County Office of Education's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office of Education's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* – The County Office of Education is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The County Office of Education 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. All of the County Office of Education's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the government-wide financial statements because the County Office of Education cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION AS A WHOLE

Net Assets. The County Office of Education's combined net assets were larger on June 30, 2010, than they were the year before – decreasing 2% to \$19.6 million (see Table A-1).

Table A-1
Glenn County Office of Education's Net Assets

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2009</u>	<u>2010</u>	<u>Percentage</u> <u>Change</u> <u>2009-10</u>
Current assets	\$ 11,946,894	\$ 10,493,374	-12%
Noncurrent assets	14,229,740	13,788,889	-3%
Total assets	<u>26,176,634</u>	<u>24,282,263</u>	-7%
Current liabilities	3,520,676	1,930,628	-45%
Noncurrent liabilities	2,703,019	2,721,579	1%
Total liabilities	<u>6,223,695</u>	<u>4,652,207</u>	-25%
Total net assets	<u>\$ 19,952,939</u>	<u>\$ 19,630,056</u>	-2%

GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION AS A WHOLE (continued)

Changes in net assets, governmental activities. The County Office of Education's total revenues was \$23.1 million (See Table A-2). This is a decrease of about \$115,856 over the prior year. Expenditures were \$23.4 million, a decrease of \$1.2 million over the prior year. Expenditures exceeded revenues by \$322,883.

Table A-2
Changes in Glenn County Office of Education's Net Assets

	Governmental Activities		Total
	2009	2010	Percentage Change 2009-10
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 2,240,482	\$ 1,999,139	-11%
Operating grants and contributions	14,704,025	14,384,128	-2%
Capital grants and contributions	11,723	3,980	-66%
<i>General revenues</i>			
Property taxes	1,182,365	1,176,564	0%
Other revenues	5,085,045	5,543,973	9%
Total revenues	<u>23,223,640</u>	<u>23,107,784</u>	0%
Expenses:			
Instruction-related	12,262,166	10,924,058	-11%
Student support services	1,560,477	1,521,735	-2%
Maintenance and operations	395,796	335,197	-15%
Administration	2,850,364	2,616,660	-8%
Other expenses	7,576,449	8,033,017	6%
Total expenses	<u>24,645,252</u>	<u>23,430,667</u>	-5%
Change in net assets	<u>\$ (1,421,612)</u>	<u>\$ (322,883)</u>	-77%

**GLENN COUNTY OFFICE OF EDUCATION
Management’s Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010**

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION AS A WHOLE (continued)

The Statement of Activities categorizes the activities presented in Table A-3 by revenue source:

- The cost of all governmental activities this year was \$23.4 million.
- The federal and state governments subsidized programs with grants and contributions of \$14.4 million. Users of the County’s programs paid fees of \$2.0 million.
- The remainder of the County’s costs \$7.0 million, however, were paid for by District taxpayers and the taxpayers of California. This portion of governmental activities was paid for with property taxes, unrestricted state aid based on the statewide education aid formula.

**Table A-3
Net Costs of Glenn County Office of Education’s
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 10,924,058	\$ 3,367,928
Pupil support services	1,521,735	168,023
Maintenance and operations	335,197	79,737
Administration	2,616,660	1,731,275
Other expenses	8,033,017	1,696,457
Total expenses	\$ 23,430,667	\$ 7,043,420

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION’S FUNDS

The financial performance of the County Office of Education as a whole is reflected in its governmental funds as well. As the County Office of Education completed this year, its governmental funds reported a combined fund balance of \$8.7 million, which is more than last year’s ending fund balance of \$8.4 million. The County Office of Education’s County School Service Fund had more revenues than expenditures in 2010 due mainly to ADA interagency fees charged to Glenn County school districts for special education services.

GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009-10 the County had invested over \$17.3 million in capital assets. (More detailed information about capital assets can be found in Note 5 to the financial statements.)

Table A-4
Glenn County Office of Education's Capital Assets

	Governmental Activities		Total
			Percentage
	2009	2010	Change
			2009-10
Land	\$ 1,175,985	\$ 1,175,985	0%
Site improvements	44,375	105,080	137%
Buildings	12,507,592	13,846,899	11%
Furniture and equipment	1,964,674	2,106,737	7%
Construction in progress	1,403,706	112,911	-92%
Total capital assets	<u>\$ 17,096,332</u>	<u>\$ 17,347,612</u>	1%

Long-Term Debt

At year-end the County had \$2.8 million in certificates of participation, capital leases and employment benefits – an increase of 4% from last year – as shown in Table A-5. (More detailed information about the County's long-term liabilities is presented in Note 6 to the financial statements.)

Table A-5
Glenn County Office of Education's Long-Term Debt

	Governmental Activities		Total
			Percentage
	2009	2010	Change
			2009-10
Compensated absences	\$ 48,554	\$ 87,622	80%
Certificates of participation	2,445,000	2,415,000	-1%
Other postemployment benefits	108,833	223,799	106%
Other general long-term debt	100,632	75,474	-25%
Total long-term debt	<u>\$ 2,703,019</u>	<u>\$ 2,801,895</u>	4%

GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010

FACTORS BEARING ON THE COUNTY OFFICE OF EDUCATION'S FUTURE

The state's budget situation continues to reflect challenging economic conditions. The 2010 State Budget was balanced on optimistic state and federal revenue projections, the sale of state properties, additional borrowings, and the suspension of the Proposition 98 minimum guarantee. While the state's economy continues to gradually recover along with the nation's, a relatively slow pace of job growth in California presents a headwind for a more rapid rate of economic recovery.

The state's budget challenges have adversely impacted the K-12 education budget. As a result, the average unified school district in the state of California in 2010-11 is expected to lose approximately \$25 per unit of average daily attendance over 2009-10 in revenue limit state funding, to an average funded revenue limit of approximately \$6,386 per unit of average daily attendance. However, a corresponding decrease in the deficit factor offsets the loss keeping funding levels in 2010-11 the same as 2009-10, and without the \$253 per ADA one-time funding reduction experienced in 2009-10.

Federal funding for categorical programs was given another one-time funding boost in 2010-11 with the Education Jobs Act funding. In addition, the final 10% of the State Fiscal Stabilization funds, part of the American Recovery and Reinvestment Act (ARRA), are to be paid in 2010-11. ARRA funds must be spent prior to the September 30, 2011.

State categorical program flexibility continues for 2009-10 and 2010-11 with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed for two more years and school agencies maintain the flexibility to shorten the school year until 2012-13. Reserve requirements for economic uncertainties, if reduced by school agencies, must be fully restored by 2011-12.

**GLENN COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For Fiscal Year Ended June 30, 2010**

FACTORS BEARING ON THE COUNTY OFFICE OF EDUCATION'S FUTURE (continued)

Other Factors

Enrollment

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the County to make adjustments in fixed operating costs.

All of these factors were considered in preparing the Glenn County Office of Education budget for the 2010-11 fiscal year.

CONTACTING THE COUNTY OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County Office of Education's finances and to demonstrate the County Office of Education's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Randy Jones at the County Office of Education's Business Office at (530) 934-6575 x3050 or mail:

Randy Jones
Assistant Superintendent of Business Services
Glenn County Office of Education
311 South Villa Avenue
Willows, CA 95988

Financial Section

GLENN COUNTY OFFICE OF EDUCATION
Statement of Net Assets
June 30, 2010

	<u>Governmental</u> <u>Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,188,312
Accounts receivable	3,251,219
Prepaid expenses	53,843
Total current assets	<u>10,493,374</u>
Noncurrent assets:	
Capital assets:	
Land	1,175,985
Site improvements	105,080
Buildings	13,846,899
Furniture and equipment	2,106,737
Construction in progress	112,911
Less accumulated depreciation	<u>(3,558,723)</u>
Total capital assets, net of depreciation	<u>13,788,889</u>
Total noncurrent assets	<u>13,788,889</u>
Total assets	<u>24,282,263</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,766,734
Deferred revenue	83,578
Certificates of participation payable, current	30,000
Early retirement incentive, current	50,316
Total current liabilities	<u>1,930,628</u>
Noncurrent liabilities:	
Compensated absences payable, noncurrent	87,622
Certificates of participation payable, noncurrent	2,385,000
Other postemployment benefits	223,799
Other general long-term debt, noncurrent	25,158
Total noncurrent liabilities	<u>2,721,579</u>
Total liabilities	<u>4,652,207</u>
NET ASSETS	
Invested in capital assets, net of related debt	16,203,889
Restricted for:	
Capital projects	541,239
Educational programs	1,181,486
Unrestricted	1,703,442
Total net assets	<u>\$ 19,630,056</u>

The notes to the financial statements are an integral part of this statement.

GLENN COUNTY OFFICE OF EDUCATION
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
Instructional services:					
Instruction	\$ 6,857,158	\$ 922,179	\$ 3,412,332	\$ 3,980	\$ (2,518,667)
Instruction-related services:					
Supervision of instruction	3,716,738	280,301	2,881,591	-	(554,846)
Instructional library, media and technology	86,542	434	8,331	-	(77,777)
School site administration	263,620	-	46,982	-	(216,638)
Pupil support services:					
Home-to-school transportation	445,002	72,719	309,812	-	(62,471)
Food services	15,203	129	14,854	-	(220)
All other pupil services	1,061,530	253,832	702,366	-	(105,332)
General administration services:					
Data processing services	529,651	-	4,981	-	(524,670)
Other general administration	2,087,009	104,131	776,273	-	(1,206,605)
Plant services	335,197	40,946	214,514	-	(79,737)
Ancillary services	234,011	-	804	-	(233,207)
Community services	4,822,398	57,538	4,970,140	-	205,280
Enterprise activities	-	-	-	-	-
Interest on long-term debt	99,824	-	-	-	(99,824)
Other outgo	2,184,653	266,930	1,041,148	-	(876,575)
Depreciation (unallocated)	692,131	-	-	-	(692,131)
Total governmental activities	<u>23,430,667</u>	<u>1,999,139</u>	<u>14,384,128</u>	<u>3,980</u>	<u>(7,043,420)</u>
Total primary government	<u>\$ 23,430,667</u>	<u>\$ 1,999,139</u>	<u>\$ 14,384,128</u>	<u>\$ 3,980</u>	<u>(7,043,420)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					1,176,564
Federal and state aid not restricted to specific purpose					4,680,404
Interest and investment earnings					53,012
Interagency revenues					207,925
Miscellaneous					602,632
Total general revenues					<u>6,720,537</u>
Change in net assets					(322,883)
Net assets - July 1, 2009					<u>19,952,939</u>
Net assets - June 30, 2010					<u>\$ 19,630,056</u>

The notes to the financial statements are an integral part of this statement.

GLENN COUNTY OFFICE OF EDUCATION
Balance Sheet – Governmental Funds
June 30, 2010

	County School Service Fund	Child Development Fund	Special Reserve for Other Than Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,329,002	\$ 122,236	\$ 1,274,811	\$ 462,261	\$ 7,188,310
Accounts receivable	2,388,614	476,753	2,487	383,365	3,251,219
Due from other funds	378,498	-	-	102,507	481,005
Prepaid expenditures	47,168	6,650	-	25	53,843
Total assets	<u>\$ 8,143,282</u>	<u>\$ 605,639</u>	<u>\$ 1,277,298</u>	<u>\$ 948,158</u>	<u>\$ 10,974,377</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,386,021	\$ 283,220	\$ -	\$ 64,286	\$ 1,733,527
Due to other funds	102,507	320,062	-	58,436	481,005
Deferred revenue	42,891	16,755	-	23,932	83,578
Total liabilities	<u>1,531,419</u>	<u>620,037</u>	<u>-</u>	<u>146,654</u>	<u>2,298,110</u>
FUND BALANCES					
Reserved for:					
Revolving cash	5,000	2,000	-	-	7,000
Prepaid expenditures	47,168	6,650	-	25	53,843
Categorical programs	1,181,486	-	-	-	1,181,486
Unreserved; reported in:					
County School Service Fund	5,378,209	-	-	-	5,378,209
Special revenue funds	-	(23,048)	1,277,298	260,240	1,514,490
Capital project funds	-	-	-	541,239	541,239
Total fund balances	<u>6,611,863</u>	<u>(14,398)</u>	<u>1,277,298</u>	<u>801,504</u>	<u>8,676,267</u>
Total liabilities and fund balances	<u>\$ 8,143,282</u>	<u>\$ 605,639</u>	<u>\$ 1,277,298</u>	<u>\$ 948,158</u>	<u>\$ 10,974,377</u>

The notes to the financial statements are an integral part of this statement.

GLENN COUNTY OFFICE OF EDUCATION
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds \$ 8,676,267

Amounts reported for governmental *activities* in the statement of net assets are different because capital assets used for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets is \$17,347,612 and the accumulated depreciation is (\$3,558,723). 13,788,889

In governmental funds, interest on long-term debt is not recognized 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 liability for unmatured interest owing at the end of the period was: (33,205)

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

Compensated absences payable	\$	87,622	
Certificates of participation payable		2,415,000	
Other postemployment benefits		223,799	
Other general long-term debt		75,474	(2,801,895)
		75,474	(2,801,895)

Total net assets - governmental activities \$ 19,630,056

The notes to the financial statements are an integral part of this statement.

GLENN COUNTY OFFICE OF EDUCATION
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2010

	County School Service Fund	Child Development Fund	Special Reserve for Other Than Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General revenues:					
Property taxes	\$ 1,176,564	\$ -	\$ -	\$ -	\$ 1,176,564
Federal and state aid not restricted to specific purpose	3,380,529	-	-	1,299,874	4,680,403
Interest and investment earnings	33,613	-	10,670	8,729	53,012
Interagency revenues	207,820	105	-	-	207,925
Miscellaneous	566,694	19,947	-	15,991	602,632
Program revenues:					
Charges for services	1,942,003	57,137	-	-	1,999,140
Operating grants and contributions	8,772,258	5,470,774	-	141,099	14,384,131
Capital grants and contributions	-	-	-	3,980	3,980
Total revenues	<u>16,079,481</u>	<u>5,547,963</u>	<u>10,670</u>	<u>1,469,673</u>	<u>23,107,787</u>
EXPENDITURES					
Instructional services:					
Instruction	5,965,661	15,416	-	822,172	6,803,249
Instruction-related services:					
Supervision of instruction	3,121,958	359,115	-	287,688	3,768,761
Instructional library, media and technology	85,122	-	-	1,420	86,542
School site administration	225,399	-	-	17,544	242,943
Pupil support services:					
Home-to-school transportation	477,729	-	-	-	477,729
Food services	15,203	-	-	-	15,203
All other pupil services	1,069,030	-	-	-	1,069,030
General administration services:					
Data processing services	529,651	-	-	-	529,651
Other general administration	1,721,354	323,262	-	22,393	2,067,009
Plant services	216,866	133,864	-	-	350,730
Facility acquisition and construction	11,968	87,139	-	10,104	109,211
Ancillary services	234,011	-	-	-	234,011
Community services	221,504	4,600,894	-	-	4,822,398
Other outgo:					
Transfers between agencies	1,918,164	-	-	232,342	2,150,506
Debt service - principal	30,000	-	-	-	30,000
Debt service - interest	100,237	-	-	-	100,237
Total expenditures	<u>15,943,857</u>	<u>5,519,690</u>	<u>-</u>	<u>1,393,663</u>	<u>22,857,210</u>
Excess (deficiency) of revenues over (under) expenditures	<u>135,624</u>	<u>28,273</u>	<u>10,670</u>	<u>76,010</u>	<u>250,577</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	2,066,369	134,079	-	179,370	2,379,818
Interfund transfers out	(313,449)	(36,865)	(319,513)	(1,709,991)	(2,379,818)
Total other financing sources and uses	<u>1,752,920</u>	<u>97,214</u>	<u>(319,513)</u>	<u>(1,530,621)</u>	<u>-</u>
Net change in fund balances	1,888,544	125,487	(308,843)	(1,454,611)	250,577
Fund balances, July 1, 2009	<u>4,723,319</u>	<u>(139,885)</u>	<u>1,586,141</u>	<u>2,256,115</u>	<u>8,425,690</u>
Fund balances, June 30, 2010	<u>\$ 6,611,863</u>	<u>\$ (14,398)</u>	<u>\$ 1,277,298</u>	<u>\$ 801,504</u>	<u>\$ 8,676,267</u>

The notes to the financial statements are an integral part of this statement.

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, 2010

Total net change in fund balances - governmental funds \$ 250,577

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

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

	251,280	
Expenditures for capital outlay		
Depreciation expense	<u>(692,131)</u>	(440,851)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 30,000

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: (34,147)

In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postretirement benefits costs are recognized in the period that they are incurred. This year, the difference between OPEB costs and actual employer contributions was: (114,966)

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 413

In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*). (39,068)

Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 25,159

Change in net assets of governmental activities \$ (322,883)

The notes to the financial statements are an integral part of this statement.

GLENN COUNTY OFFICE OF EDUCATION
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2010

	<u>Payroll Clearing Fund</u>
ASSETS	
Cash	\$ 67,535
Accounts receivable	18
Total assets	<u>\$ 67,553</u>
LIABILITIES	
Accounts payable	<u> 67,553</u>
Total liabilities	<u> 67,553</u>
NET ASSETS	<u><u> \$ -</u></u>

The notes to the financial statements are an integral part of this statement.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The County operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County consists of all funds, departments and agencies that are not legally separate from the County. For the County, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the County is financially accountable. Component units may also include organizations that are fiscally dependent on the County in that the County approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the County is not financially accountable but the nature and significance of the organization's relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. In addition, component units are other legally separate organizations for which the County is not financially accountable, but the nature and significance of the organization's relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The County has no such component units.

C. Basis of Presentation

Government-wide Financial Statements:

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

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

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the County Office of Education'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 of Education 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 meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County Office of Education, 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 of Education.

Fund Financial Statements:

Fund financial statements report detailed information about the County Office of Education. 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 funds are reported by fund type.

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. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County Office of Education.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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 and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County Office of Education, “available” means collected within the current period or within 60 days after year-end.

Non-exchange transactions, in which the County Office of Education 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 the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office of Education 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.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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 services 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 of Education's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

E. Fund Accounting

The accounts of the County Office of Education are organized on the basis of funds or account groups, 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 equity, revenues, and expenditures. County Office of Education 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 of Education's accounts are organized into major, non-major, and fiduciary funds, as follows:

Major Governmental Funds:

1. The *County School Service Fund* is the general operating fund of the County Office of Education. It is used to account for all financial resources except those required to be accounted for in another fund.
2. The *Child Development Fund* is used to account for resources committed to child development programs maintained by the County Office of Education.
3. The *Special Reserve Fund for Other Than Capital Outlay Projects* is used to account for property and equipment acquisition.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

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 of Education maintains five non-major special revenue funds:
 1. The *Charter Schools Special Revenue Fund* is used by authorizing LEAs to account separately for the activities of LEA-operated charter schools that would otherwise be reported in the authorizing LEA's County School Service Fund.
 2. The *Adult Education Fund* is used to account separately for federal, state, and local revenues for adult education programs.
 3. The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of County Office of Education property.
 4. The *Forest Reserve Fund* exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (*Education Code Section 2300; Government Code Section 29484*).
 5. The *Special Reserve Fund for Postemployment Benefits* may be used pursuant to *Education Code Section 42840* to account for amounts the LEA has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan.
- **Capital Project Funds** are used to account for acquisition and/or construction of major governmental general fixed assets. The County maintains one non-major capital project fund:
 1. The *County School Facilities Fund* is used to account separately for State apportionments provided for construction and reconstruction of school facilities.

Fiduciary Funds:

- **Agency Funds** are used to account for assets of others for which the County Office of Education acts as an agent. The County Office of Education maintains a Payroll Clearing Fund. The cash account within the payroll clearing fund is used to record dedicated funds for payroll and related expenses due to regulatory agencies, such as the I.R.S. and financial institutions.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets and Budgetary Accounting

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

These budgets are revised by the County Office of Education's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the County School Service Fund in the supplementary information.

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

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The County'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. Cash held in the county treasury is recorded at cost, which approximates fair value.

2. Inventories

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

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County Office of Education maintains a capitalization threshold of \$5,000. The County Office of Education does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

4. Deferred Revenue

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

5. Compensated Absences

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

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

5. Compensated Absences (continued)

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

6. 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. 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 and any premiums or discounts are reported as other financing sources and uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax

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 January 1, which is also the lien date. 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. 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 alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the County's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the County. The California Department of Education reduces the County's entitlement by the County's local property tax revenue. The balance is paid from the state County School Service Fund, and is known as the State Apportionment. The County's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the County is entitled to by law. This amount is multiplied by the second period ADA to derive the County's total entitlement.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. New GASB Pronouncement

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* was issued in February 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is required to be implemented in the 2010-11 fiscal year.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

	Governmental Funds	Fiduciary Funds
Cash in county treasury	\$ 7,180,242	\$ 67,535
Cash on hand and in banks	1,000	-
Cash in revolving fund	7,000	-
Cash collections awaiting deposit	70	-
Total deposits and investments	\$ 7,188,312	\$ 67,535

Policies and Practices

Governmental agencies in the state of California are authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of the applicable agreements rather than the general provisions of the California Government Code.

Cash in County Treasury – The County is considered to be an involuntary participant in an external investment pool, as the County is required to deposit all receipts and collections of monies with its County Treasurer (Education Code Section 41001). The fair value of the County’s investment in the pool is disclosed in the notes to the financial statements at amounts based upon the County’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio in relation to the amortized cost of that portfolio. The balance available for withdrawal is recorded on the amortized cost basis and is based on the accounting records maintained by the County Treasurer.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (Continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest County funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The County’s additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office of Education manages its exposure to interest rate risk by investing in the County Treasury and in Money Market Mutual Fund U.S. Treasury Fund obligations. The County Office of Education maintains an investment with the Glenn County Investment Pool with a fair value of approximately \$7,250,476 and an amortized book value of \$7,247,775.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2010, the Glenn County Investment Pool is unrated.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, the County's bank balance of \$8,070 was not exposed to custodial credit risk because the amount was below the FDIC insured amount of \$250,000.

Concentration of Credit Risk

The investment policy of the County Office of Education contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. County Office of Education investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010 consist of the following:

	Governmental Funds	Fiduciary Funds
Federal	\$ 989,416	\$ -
State categorical	1,027,850	-
Other	1,233,953	18
Total accounts receivable	\$ 3,251,219	\$ 18

NOTE 4 – INTERFUND TRANSACTIONS

Interfund activity is reported as 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. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

A. Due From/Due to Other Funds

Individual interfund receivables and payable balances as of June 30, 2010 are as follows:

	Due To Other Funds			Total
	General Fund	Child Development Fund	Other Governmental Funds	
County School Service Fund	\$ -	\$ 320,062	\$ 58,436	\$ 378,498
Other Governmental Funds	102,507	-	-	102,507
Total	\$ 102,507	\$ 320,062	\$ 58,436	\$ 481,005

Due from the County School Service Fund to the Adult Education Fund for additional revenue from 2008-09 fiscal year	\$ 102,507
Due from the Charter Schools Special Revenue Fund to the County School Service Fund for indirect support charges	43,367
Due from the Adult Education Fund to the County School Service Fund for indirect support charges	15,069
Due from the Child Development Fund to the County School Service Fund for indirect support charges	320,062
Total	\$ 481,005

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2009-10 fiscal year are as follows:

	Interfund Transfer Out				Total
	County School Service Fund	Child Development Fund	Special Reserve Fund for Other than Capital Outlay Projects	Other Governmental Funds	
County School Service Fund	\$ -	\$ 36,865	\$ 319,513	\$ 1,709,991	\$ 2,066,369
Child Development Fund	134,079	-	-	-	134,079
Other Governmental Funds	179,370	-	-	-	179,370
Total	\$ 313,449	\$ 36,865	\$ 319,513	\$ 1,709,991	\$ 2,379,818

Transfer from the County School Service Fund to the Charter School Special Revenue Fund For Distance Learning program and ARRA State Fiscal Stabilization Funds	\$	105,307
Transfer from the County School Service Fund to the Adult Education Fund for lottery instructional materials allocation.		357
Transfer from the County School Service Fund to the Child Development Fund for contribution to Fund 12 for prior year administration		134,079
Transfer from the County School Service Fund to the Deferred Maintenance Fund for Building Pool/Deferred Maintenance costs		73,706
Transfer from the Charter School Special Revenue Fund to the County School Service Fund for-Indirect Charges and Building Pool/Deferred Maintenance Costs		45,733
Transfer from the Adult Education Fund to the County School Service Fund for Building Pool/Deferred Maint Costs		7,287
Transfer from the Child Development Fund to the County School Service Fund for Building Pool/Deferred Maint Costs		36,865
Transfer from the Deferred Maintenance Fund to the County School Service Fund for Tier III Flexibility		1,621,981
Transfer from Forest Reserve Fund to the County School Service Fund for 2009-10 Forest Reserve receipts from Glenn and Colusa Counties.		34,990
Transfer from the Special Reserve Fund for Other Than Capital Outlay Projects to the County School Service Fund for Special Education NPS Legal Pool and 2008-09 County School Service Fund salary reimbursement from AB 1200		319,513
Total	\$	2,379,818

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010 is shown below:

	Beginning Balance July 1, 2009	Additions	Deletions	Ending Balance June 30, 2010
Land	\$ 1,175,985	\$ -	\$ -	\$ 1,175,985
Land improvements	44,375	60,705	-	105,080
Buildings and improvements	12,507,592	1,339,307	-	13,846,899
Furniture and equipment	1,964,674	142,063	-	2,106,737
Work in progress	1,403,706	109,217	1,400,012	112,911
Total at historical cost	<u>17,096,332</u>	<u>1,651,292</u>	<u>1,400,012</u>	<u>17,347,612</u>
Less accumulated depreciation:				
Site improvements	6,512	4,203	-	10,715
Buildings and improvements	1,749,663	549,595	-	2,299,258
Furniture and equipment	1,110,417	138,333	-	1,248,750
Total accumulated depreciation	<u>2,866,592</u>	<u>692,131</u>	<u>-</u>	<u>3,558,723</u>
Governmental activities capital assets, net	<u>\$ 14,229,740</u>	<u>\$ 959,161</u>	<u>\$ 1,400,012</u>	<u>\$ 13,788,889</u>

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 6 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2010 is shown below:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Certificates of Participation	\$ 2,445,000	\$ -	\$ 30,000	\$ 2,415,000	\$ 30,000
Compensated Absences	48,554	39,068	-	87,622	-
Post-Employment Benefits	108,833	114,966	-	223,799	-
Early Retirement Incentives	100,632	-	25,158	75,474	50,316
Totals	<u>\$ 2,703,019</u>	<u>\$ 154,034</u>	<u>\$ 55,158</u>	<u>\$ 2,801,895</u>	<u>\$ 80,316</u>

Certificates of Participation

In September 2005, the Office of Education issued certificates of participation (COP) in the amount of \$2,538,000, with the interest rate of 4.125%.

The payment schedule for the COP as of June 30, 2010 is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 30,000	\$ 99,000	\$ 129,000
2012	30,000	97,763	127,763
2013	30,000	96,525	126,525
2014	35,000	95,184	130,184
2015	35,000	93,740	128,740
2016-20	200,000	445,297	645,297
2021-25	245,000	399,609	644,609
2026-30	305,000	342,890	647,890
2031-35	370,000	273,280	643,280
2036-40	455,000	188,822	643,822
2041-45	555,000	84,665	639,665
2046	125,000	2,578	127,578
Total	<u>\$ 2,415,000</u>	<u>\$ 2,219,353</u>	<u>\$ 4,634,353</u>

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

Early Retirement Incentive

During the 2008-09 fiscal year, the County Office offered a PERS Golden Handshake Early Retirement Incentive. The outstanding liability and remaining payments as of June 30, 2010 are as follows:

Year Ending June 30	Early Retirement Incentive Payment
2011	\$ 55,188
2012	27,594
Total Due	<u>82,782</u>
Less amount representing interest	<u>(7,308)</u>
Total early retirement liability	<u>\$ 75,474</u>

NOTE 8 – JOINT VENTURES

The Glenn County Office of Education participates in four joint powers agreement (JPA) entities, the Golden State Risk Management Authority (GSRMA), Schools Excess Liability Fund (SELF), and Tri-Counties School Insurance Group (TCSIG). The relationship between the County Office and the JOS is such that the JPA is not a component unit of the County Office for financial reporting purposes.

The JPAs arrange for and provide property and liability insurance for its member school districts and county office. Each JPA is governed by a board consisting of a representative from each member school agency. Each governing board controls the operations of its JPA independent of any influence by the Glenn County Office of Education beyond the school agency's representation on the governing boards.

Condensed audited financial information for the most recently audited fiscal period is as follows:

	GSRMA June 30, 2009	TCSIG June 30, 2009	SELF June 30, 2009
Assets	<u>\$ 13,724,070</u>	<u>\$ 30,299,333</u>	<u>\$ 209,217</u>
Liabilities	<u>\$ 8,454,013</u>	<u>\$ 9,462,303</u>	<u>\$ 161,555</u>
Net assets	<u>\$ 5,270,057</u>	<u>\$ 20,837,030</u>	<u>\$ 47,662</u>
Revenues	\$ 5,258,069	\$ 52,082,952	\$ 18,330
Expenses	5,434,944	51,651,853	27,701
Operating income	<u>(176,875)</u>	<u>431,099</u>	<u>(9,371)</u>
Non-operating income	383,138	868,160	8,315
Change in net assets	<u>\$ 206,263</u>	<u>\$ 1,299,259</u>	<u>\$ (1,056)</u>

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Operating Leases

The Office of Education has entered into an operating lease for a postage system with a lease term in excess of one year. The agreement does not contain a purchase option. The agreement contains a termination clause providing for cancellation after a specified number of days written notice to the lessors, but it is unlikely that the Office of Education will cancel the agreement prior to the expiration date. Future minimum lease payments are as follows:

Year Ending	Lease Payment
June 30	
2011	\$ 35,628
2012	35,628
2013	35,628
2014	6,883
Total	\$ 113,767

NOTE 10 – DEFICIT FUND BALANCE

As of June 30, 2010, the Child Development Fund had a deficit balance of \$14,398.

NOTE 11 – RISK MANAGEMENT

The Glenn County Office of Education is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The County participates in a public entity risk pool, as described in Note 8, for claims in excess of insured amounts for workers' compensation and liability protection. The County purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 12 – EMPLOYEE RETIREMENT PLANS

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

Plan Description and Provisions

California Public Employees’ Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2009-10 was 9.709%. The contribution requirements of the plan members are established by state statute. The County’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2009-10	\$ 544,946	100%
2008-09	\$ 574,170	100%
2007-08	\$ 497,976	100%

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 12 – EMPLOYEE RETIREMENT PLANS (continued)

California State Teachers’ Retirement System (CalSTRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The County’s contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2009-10	\$ 416,479	100%
2008-09	\$ 416,897	100%
2007-08	\$ 414,510	100%

On-Behalf Payments

The County was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state County School Service Fund contributions of approximately \$215,408 to CalSTRS (4.267% of salaries subject to CalSTRS in 2009-10).

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Office of Education provides postemployment medical, dental, and vision benefits to all employees and dependents who retire on or after attaining the age of 55, with at least 10 consecutive years of service. The Office of Education provides these benefits for one to four years depending on years of service with the Office of Education.

The Office of Education provides these benefits through their retiree health program, a single-employer defined benefit health care plan administered by the Office of Education.

At June 30, 2010, 7 retirees met these eligibility requirements and an estimated 276 participants will be eligible in future years.

B. Funding Policy

The Office of Education's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the Office of Education are established and may be amended by the Office of Education's board of trustees through the collective bargaining process. The members receiving benefit contributions vary depending on the level of coverage selected.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2010, the Office of Education’s annual other postemployment benefit (OPEB) cost is based on the annual required contribution for the employer (ARC), an amount actuarially determine in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Office of Education’s net OPEB obligation:

Annual required contribution	\$ 148,030
Interest on net OPEB obligation	5,442
Adjustment to annual required contribution	(4,821)
Annual OPEB cost	<u>148,651</u>
Contributions made	<u>(33,685)</u>
Increase in net OPEB asset	114,966
Net OPEB asset - July 1, 2009	<u>108,833</u>
Net OPEB asset - June 30, 2009	<u><u>\$ 223,799</u></u>

D. Annual OPEB Cost and Net OPEB Obligation (continued)

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009-10 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed
2009	\$ 148,030	26%
2010	\$ 148,651	23%

E. Funded Status and Funding Progress – OPEB Plans

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

GLENN COUNTY OFFICE OF EDUCATION
Notes to Financial Statements
June 30, 2010

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

F. Actuarial Methods and Assumptions

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

In the March 1, 2009 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a five percent investment rate of return per year (net of administrative expenses), based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq. The UAAL is being amortized as a level percentage of payroll over a period of 30 years. The remaining amortization period at June 30, 2010, was 29 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

Valuation Date	3/1/2009
Actuarial Cost Method	Pay as you go method
Amortization Method	Level percentage of payroll method
Remaining Amortization Period	29 years
Asset Valuation	-
Actuarial Assumptions:	
Discount rate	5.0%
Long-term healthcare cost trend rates:	4.0%
Medical/Rx	5.0%
Dental & Vision	5.0%

NOTE 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The County spent funds in excess of appropriation in the following categories:

County School Services Fund – Other Outgo	\$ 2,409,453
Child Development Fund – Certificated Salaries	\$ 54,253

Required Supplementary Information

GLENN COUNTY OFFICE OF EDUCATION
Budgetary Comparison Schedule – County School Service Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with
	Original	Final		Final Budget - Pos (Neg)
REVENUES				
Revenue limit sources	\$ 3,187,707	\$ 2,847,938	\$ 2,948,824	\$ 100,886
Federal	2,559,762	4,301,761	4,256,978	(44,783)
Other state	5,786,588	5,785,425	5,813,799	28,374
Other local	4,087,837	3,779,141	3,059,880	(719,261)
Total revenues	<u>15,621,894</u>	<u>16,714,265</u>	<u>16,079,481</u>	<u>(634,784)</u>
EXPENDITURES				
Certificated salaries	4,006,915	4,218,658	4,149,255	69,403
Classified salaries	4,450,285	5,042,387	4,656,388	385,999
Employee benefits	2,706,435	2,951,333	2,669,076	282,257
Books and supplies	937,255	1,365,630	933,221	432,409
Services and other operating expenditures	1,734,047	2,033,370	1,683,887	349,483
Capital outlay	98,000	297,407	149,284	148,123
Transfers of indirect costs	2,350,989	2,092,036	(345,655)	2,437,691
Other outgo	(343,236)	(361,052)	2,048,401	(2,409,453)
Total expenditures	<u>15,940,690</u>	<u>17,639,769</u>	<u>15,943,857</u>	<u>1,695,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(318,796)</u>	<u>(925,504)</u>	<u>135,624</u>	<u>1,061,128</u>
OTHER FINANCING SOURCES AND USES				
Interfund transfers in	145,888	527,855	2,066,369	1,538,514
Interfund transfers out	(86,846)	(326,232)	(313,449)	12,783
Total other financing sources and uses	<u>59,042</u>	<u>201,623</u>	<u>1,752,920</u>	<u>1,551,297</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(259,754)</u>	<u>(723,881)</u>	<u>1,888,544</u>	<u>2,612,425</u>
Fund balances, July 1, 2009	<u>4,723,319</u>	<u>4,723,319</u>	<u>4,723,319</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 4,463,565</u>	<u>\$ 3,999,438</u>	<u>\$ 6,611,863</u>	<u>\$ 2,612,425</u>

GLENN COUNTY OFFICE OF EDUCATION
Budgetary Comparison Schedule – Child Development Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget -
	Original	Final		Pos (Neg)
REVENUES				
Revenue limit sources	\$ -	\$ -	\$ -	\$ -
Federal	2,983,449	3,523,833	3,242,385	(281,448)
Other state	1,964,570	1,951,630	1,901,602	(50,028)
Other local	401,500	415,332	403,976	(11,356)
Total revenues	<u>5,349,519</u>	<u>5,890,795</u>	<u>5,547,963</u>	<u>(342,832)</u>
EXPENDITURES				
Certificated salaries	1,050,198	1,141,009	1,195,262	(54,253)
Classified salaries	1,186,912	1,231,987	1,167,429	64,558
Employee benefits	628,527	663,914	654,091	9,823
Books and supplies	211,224	219,561	179,502	40,059
Services and other operating expenditures	1,909,388	1,951,462	1,913,005	38,457
Capital outlay	-	283,015	87,139	195,876
Other outgo	325,600	338,472	323,262	15,210
Total expenditures	<u>5,311,849</u>	<u>5,829,420</u>	<u>5,519,690</u>	<u>309,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,670</u>	<u>61,375</u>	<u>28,273</u>	<u>(33,102)</u>
OTHER FINANCING SOURCES AND USES				
Interfund transfers in	3,657	137,736	134,079	(3,657)
Interfund transfers out	(41,327)	(41,327)	(36,865)	4,462
Total other financing sources and uses	<u>(37,670)</u>	<u>96,409</u>	<u>97,214</u>	<u>805</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>-</u>	<u>157,784</u>	<u>125,487</u>	<u>(32,297)</u>
Fund balances, July 1, 2009	<u>(139,885)</u>	<u>(139,885)</u>	<u>(139,885)</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ (139,885)</u>	<u>\$ 17,899</u>	<u>\$ (14,398)</u>	<u>\$ (32,297)</u>

GLENN COUNTY OFFICE OF EDUCATION
Budgetary Comparison Schedule – Special Reserve Fund for Other Than Capital Outlay
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
REVENUES				
Other local	\$ 35,000	\$ 5,000	\$ 10,670	\$ 5,670
Total revenues	<u>35,000</u>	<u>5,000</u>	<u>10,670</u>	<u>5,670</u>
OTHER FINANCING SOURCES AND USES				
Interfund transfers out	-	(132,692)	(319,513)	(186,821)
Total other financing sources and uses	<u>-</u>	<u>(132,692)</u>	<u>(319,513)</u>	<u>(186,821)</u>
Excess (deficiency) of revenues and other financing sources over (under) other financing uses	35,000	(127,692)	(308,843)	(181,151)
Fund balances, July 1, 2009	<u>1,586,141</u>	<u>1,586,141</u>	<u>1,586,141</u>	<u>-</u>
Fund balances, June 30, 2010	<u>\$ 1,621,141</u>	<u>\$ 1,458,449</u>	<u>\$ 1,277,298</u>	<u>\$ (181,151)</u>

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2010

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/1/2009	\$ -	\$ 684,673	\$ 684,673	0%	\$ 11,845,122	6%

Supplementary Information Section

GLENN COUNTY OFFICE OF EDUCATION
Local Educational Agency Organization Structure
June 30, 2010

The Glenn County Office of Education is the administrative agency for nine elementary school districts, seven unified school districts, two high school districts, and one community college district.

<u>GOVERNING BOARD</u>		
<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Judy Holzapfel	President	2012
Catherine Hanes	Vice President	2010
Kathy Perez	Member	2010
Gail Zimmerman	Member	2012
Eugene Massa	Member	2012

COUNTY OFFICE OF EDUCATION ADMINISTRATORS

Arturo Barrera
Superintendent

Randy Jones
Assistant Superintendent of Business Services

Shirley Diaz
Deputy Superintendent of Educational Services

Mary Viegas
Assistant Superintendent of Child and Family Services

Merrilee Johnson
Assistant Superintendent of Human Resources

Vicki Shadd
Assistant Superintendent of Student Services and SELPA Director

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2010

	Second Period Report	Annual Report
Elementary:		
Juvenile halls, homes, and camps	1	1
Opportunity schools and full-day opportunity classes	21	21
Special day classes		
SDC	20	22
SDC extended year	1	1
NPS	2	2
Total Elementary	<u>45</u>	<u>47</u>
Secondary:		
Juvenile halls, homes, and camps	17	17
Opportunity schools and full-day opportunity classes	1	1
Special day classes		
SDC	29	30
SDC extended year	1	1
Total Secondary	<u>48</u>	<u>49</u>
Classes for Adults:		
Handicapped adults	19	19
Total Adult Classes	<u>19</u>	<u>19</u>
Charter Schools:		
Classroom based:	None offered	None offered
Non-classroom based:		
Kindergarten	1	1
Grades 1-3	7	7
Grades 4-6	14	14
Grades 7-8	18	19
Grades 9-12	63	65
Total Charter Schools	<u>103</u>	<u>106</u>
Total Average Daily Attendance	<u><u>215</u></u>	<u><u>221</u></u>

See accompanying note to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2010

Grade Level	1986-87 Minutes Requirement	1986-87 Reduced Minutes	2009-10 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	36,169	180	Complied
Grade 1	50,400	49,000	51,450	180	Complied
Grade 2	50,400	49,000	51,450	180	Complied
Grade 3	50,400	49,000	55,490	180	Complied
Grade 4	54,000	52,500	55,490	180	Complied
Grade 5	54,000	52,500	56,390	180	Complied
Grade 6	54,000	52,500	56,390	180	Complied
Grade 7	54,000	52,500	57,235	180	Complied
Grade 8	54,000	52,500	57,235	180	Complied
Grade 9	64,800	63,000	65,724	180	Complied
Grade 10	64,800	63,000	65,724	180	Complied
Grade 11	64,800	63,000	65,724	180	Complied
Grade 12	64,800	63,000	65,724	180	Complied

See accompanying note to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2010

County School Service Fund	(Budget) 2011***	2010	2009	2008
Revenues and other financing sources	\$ 15,554,529	\$ 18,145,850	\$ 16,424,956	\$ 18,232,382
Expenditures	15,597,471	15,943,857	16,656,762	17,249,396
Other uses and transfers out	144,694	313,449	155,911	270,731
Total outgo	15,742,165	16,257,306	16,812,673	17,520,127
Change in fund balance (deficit)	(187,636)	1,888,544	(387,717)	712,255
Ending fund balance	\$ 6,424,227	\$ 6,611,863	\$ 4,723,319	\$ 5,111,036
Available reserves*	\$ 3,108,348	\$ 3,060,734	\$ 2,987,787	\$ 3,551,645
Available reserves as a percentage of total outgo	20%	19%	18%	20%
Total long-term debt	\$ 2,721,579	\$ 2,801,895	\$ 2,703,019	\$ 2,561,167
Average daily attendance at P-2**	125	215	637	656

The County School Service Fund balance has increased by \$1,500,827 over the past two years. The fiscal year 2010-11 adopted budget projects a decrease of \$187,636. For a district of this size, the state recommends available reserves of at least 3% of total County School Service Fund expenditures, transfers out, and other uses (total outgo). ABX4 2 reduced the 3% reserve requirement by one-third for the 2009-10 year. Long-term debt has increased \$240,728 over the past two years.

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the County School Service Fund or Special Reserve Fund (Other than Capital Outlay).

*** Revised Final Budget, September 2010.

See accompanying note to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
Child and Adult Care Food Program	10.558	13394	\$ 171,858
Total U.S. Department of Agriculture			<u>171,858</u>
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB):			
Title I, Part A Cluster:			
Title I, Part A, Basic Grants	84.010	13797	76,562
ARRA - Title I, Part A, Basic Grants	84.389	15005	29,430
Subtotal Title I, Part A Cluster			<u>105,992</u>
Title I, Basic School Support	84.010	14416	931
Title I, Part D, Subpart 2, Local Delinquent	84.010	14357	32,528
ARRA - Title I, Part D, Subpart 2, Local Delinquent	84.389	15009	29,271
Title II - Part A Improving Teacher Quality	84.367	14341	4,469
Title II - Part D, Enhancing Education Through Technology	84.318	14334	1,330
Title II - Part D, Enhancing Education Through Technology, Competative Grants	84.318	14368	68,566
Title III - Limited English Proficiency	84.365	10084	9,958
Title IV - Safe and Drug Free Schools	84.186	14347	6,942
Title IV - Safe and Drug Free Schools - Technical Assistance	84.186	14378	14,691
Title V - Innovative Education	84.298A	13340	1,401
Title VI, Part B, Rural and Low Income Schools	84.358	14356	61,180
Title X, Education for Homeless Children and Youth	84.196	14332	73,948
ARRA - Title X, Education for Homeless Children and Youth	84.387	15007	40,100
Passed through Tulare County Department of Education			
Title IV - California Friay Night Live Mentoring Program	84.186		43,832
Direct Program			
Title IV - 21st Century Community Learning Center	84.287	14330	69,329
Teaching American History	84.215X		23,542
Subtotal NCLB			<u>588,010</u>
Adult Basic Education Act			
Adult Basic Education & ESL	84.002	14508	24,215
English Literacy and Civic Education	84.002	14109	22,399
Adult Secondary Education	84.002	13978	5,437
Family Literacy	84.002	13977	4,630
Subtotal Adult Basic Education Act			<u>56,681</u>
Special Education Cluster (IDEA):			
IDEA Basic Local Assistance Entitlement, Part B	84.027	13379	995,507
IDEA Preschool Grants, Part B	84.173	13430	39,616
IDEA Preschool Local Assistance - Private School	84.027	10115	1,558
IDEA Preschool Local Entitlement	84.027	13682	59,889
IDEA Mental Health Allocation	84.027	14468	39,327
IDEA Preschool Staff Development	84.173	13431	1,000
IDEA Early Intervention	84.181	23761	34,422
ARRA - IDEA Basic Local Assistance Entitlement, Part B	84.391	15003	438,886
ARRA - IDEA Preschool Local Assistance - Private School	84.391	10123	1,675
ARRA - IDEA Preschool Grants, Part B	84.392	15000	33,948
ARRA - IDEA Preschool Local Entitlement	84.391	15002	21,474
Subtotal IDEA Cluster			<u>1,667,302</u>
ARRA-State Fiscal Stabilization Fund (SFSF), Recovery Act	84.394	25008	364,583
Vocational Programs - Vocational & Applied Technical secondary IC, Section 131	84.048	13924	50,510
Subtotal			<u>415,093</u>
Total U.S. Department of Education			<u>2,727,086</u>
Balance Forward			<u>2,898,944</u>

See accompanying note to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Expenditures of Federal Awards (continued)
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
Balance Carried Forward			<u>2,898,944</u>
U.S. Department of Health and Human Services			
Passed through California Dept. of Education (CDE):			
Child Development - Quality Improvement Activities	93.575	13942	62,417
Child Development - Federal Alternative Payment	93.596	13694	303,387
Child Development - Local Planning Councils	93.575	13946	87,466
Child Development - Federal Alternative Payment, Stage II	93.575	13880	6,833
Child Development - Federal Alternative Payment, Stage III	93.575	13881	95,778
Child Development - Federal Resource and Referral	93.575	13934	94,842
Direct Program			
Head Start	93.600	10016	2,306,974
Passed through CSU, Chico Research Foundation			
Special Programs for the Aging - Title III, Part B - Grants for Services	93.044	not applicable	18,875
Special Programs for the Aging - Title III, Part C - Nutrition	93.045	not applicable	206,838
Nutrition Services Incentive Program	93.053	not applicable	<u>22,320</u>
Total U.S. Department of Health and Human Services			<u>3,205,730</u>
Total Expenditures of Federal Awards			<u>\$ 6,104,674</u>

See accompanying note to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2010

There were no adjustments made to reconcile the fund balances to the audited financial statements in 2009-10.

See accompanying note to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2010

<u>Charter School</u>	<u>Inclusion in Financial Statements</u>
William Finch Charter	Yes

See accompanying note to supplementary information.

GLENN COUNTY OFFICE OF EDUCATION
Note to the Supplementary Information
June 30, 2010

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The County has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the County and whether the County complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201. For 2009-10 through 2012-13, the instructional day and minute requirements have been reduced pursuant to Education Code Section 46201.2.

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the County Office of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget 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 financial statements.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the County Office and displays information for each charter school on whether or not the charter school is included in the County Office audit.

Other Independent Auditor's Reports

Board of Trustees
Glenn County Office of Education
Willows, California

**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**

Independent Auditor's Report

We have audited the basic financial statements of Glenn County Office of Education as of and for the year ended June 30, 2010, and have issued our report thereon dated December 11, 2010. 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 Glenn County Office of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glenn County Office of Education's internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of Glenn County Office of Education's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding #2010-1 through Finding #2010-2, that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Glenn County Office of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

Glenn County Office of Education's responses to the findings identified in our audit are described in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit Glenn County Office of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management, others within the entity, the California Department of Education, the California State Controller's Office, and 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.

Chint White Accountancy Corporation

San Diego, California
December 11, 2010

Board of Trustees
Glenn County Office of Education
Willows, California

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Compliance

We have audited Glenn County Office of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Glenn County Office of Education's major federal programs for the year ended June 30, 2010. Glenn County Office of Education'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 Glenn County Office of Education's management. Our responsibility is to express an opinion on Glenn County Office of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 Glenn County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Glenn County Office of Education's compliance with those requirements.

In our opinion, Glenn County Office of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding #2010-3.

Internal Control Over Compliance

Management of Glenn County Office of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Glenn County Office of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Glenn County Office of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding #2010-3. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Glenn County Office of Education's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Glenn County Office of Education's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board, management, others within the entity, the California Department of Education, the California State Controller's Office, 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.

Christine White (Accountancy Corporation)

San Diego, California
December 11, 2010

Board of Trustees
 Glenn County Office of Education
 Willows, California

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Glenn County Office of Education (the County), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 11, 2010. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, published by the Education Audit Appeals Panel. 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 opinions.

The County's management is responsible for the County'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's compliance with the state laws and regulations applicable to the following items:

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not applicable
Independent Study	23	Yes
Continuation Education	10	Not applicable
Instructional Time:		
School Districts	6	Not applicable
County Offices of Education	3	Yes

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	12	Yes
Ratios of Administrative Employees to Teachers	1	Not applicable
Classroom Teacher Salaries	1	Not applicable
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not applicable
Class Size Reduction Program:		
General Requirements	7	Not applicable
Option One	3	Not applicable
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Yes
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Yes
Determination of Funding for Nonclassroom-Based Instruction	3	Yes
Annual Instructional Minutes – Classroom Based	3	Not applicable

For independent study we indicated “Yes” because we tested the Juvenile Hall as well as the William Finch Charter School, which are both operated as independent study.

Based on our audit, we found that, for the items tested, the Glenn County Office of Education complied with the state laws and regulations referred to above, except as described in the accompanying Schedule of Findings and Questioned Costs as Finding #2010-4. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Glenn County Office of Education had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board, management, others within the entity, the California Department of Education, the California Department of Finance, the California State Controller’s Office, and 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.

Christine White
Accountancy Corporation

San Diego, California
December 11, 2010

Findings and Questioned Costs Section

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.394</u>	<u>State Fiscal Stabalization Fund</u>
<u>93.600</u>	<u>Headstart</u>
<u>84.027, 84.173, 84.181,</u>	
<u>84.391, 84.392</u>	<u>Special Education Cluster - IDEA</u>
<u>84.010, 84.389</u>	<u>Title I, Part A Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for state programs:	<u>Qualified</u>

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding #2010-1: Cash Receipts (30000)

Condition: It was noted during our audit that deficiencies in the cash receipting process existed in several areas as summarized below:

- For the cash clearing account, detail to support cash received was not being submitted to the County Office and used to reconcile cash collected to cash received and deposited.
- The Adult Education Program did not issue cash receipts or have a procedure in place to record cash collected for student tuition fees paid. No cash register or cash box is being used, and teachers are also collecting fees in the classroom without issuing receipts or recording the names of students paid, this resulted in the ability of several students to take classes without paying the required class fees.
- For the After School SPARK Program, fees collected cannot be reconciled to deposits made. Each site is not submitting a list of student fees collected to the county office that reconciles to cash collected. No central billing system is in place to keep track of outstanding fees.

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section II – Financial Statement Findings (continued)

Finding #2010-1: Cash Receipts (30000) (continued)

Recommendation: A central billing system needs to be implemented for the after school SPARK program as well as the Adult Education program. Each site should maintain a log or computer billing system which has each student enrolled, fees required, and is updated as each student makes the required payments. A summary of students paid should be submitted to the County Office when cash is sent in for deposits. A cash receipt should be issued as verification for cash received, whether from parents or student payments, or funds submitted to the County Office for deposit.

County Office's Response: Glenn County Office of Education concurs with the audit finding and is in the process of implementing a new fiscal system for the Adult Education and SPARK after school program. As part of the implementation, we will incorporate the recommendation for payment summaries or deposit detail will be submitted with cash collected. The new system will also include issuing receipts for funds collected and enable reconciliation to student enrollment.

Finding #2010-2: Use of Purchase Requisitions (30000)

Condition: The County Office did not have a purchase order for 17 out of 25 expenditures tested. We understand that the County's small size minimizes the risk of unauthorized purchases, and we found in our testing no inappropriate expenditures. However, internal controls would be improved if purchase requisitions were used more regularly. The requisition would also be entered into the accounting system to encumber the use of funds, a good budgetary control tool.

Recommendation: We recommend the County Office consider revising procedures to require use of purchase requisitions on most purchases. Exceptions might be made for minor reimbursements, revolving expenditures, utilities and standing orders or contracts.

County Office's Response: Glenn County Office of Education concurs with the audit finding and is in the process of implementing a new fiscal system. As part of the implementation, we will incorporate the recommendation for purchase requisitions to be used on purchases for goods and services and will be in accordance with Superintendent Policy.

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

Finding #2010-3: Prior Approval of Federal Expenditures (50000)

Condition: The County Office does not regularly issue purchase orders to verify the pre-approval of expenditures made using federal funds. We understand that the County's small size minimizes the risk of unauthorized purchases, and we found in our testing no inappropriate expenditures. However, internal controls over federal compliance would be improved upon if purchase requisitions were used more regularly. The requisition would also be entered into the accounting system to encumber the use of funds, a good budgetary control tool.

Criteria: Per the OMB Circular A-133, Subpart C, Section 300 (b) LEA's are required to maintain internal control over Federal programs that provides reasonable assurance that the LEA is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements i

Context and Questioned Costs: For the programs tested, the context and questioned costs are as follows for expenditure that did not have purchase orders or requisitions created to verify prior approval of expenditures:

- For Headstart program, CFDA #93.600, 8 out of 15 expenditures totaling \$8,458.49
- For IDEA cluster, CFDA #84.027, 84.173, 84.181, 84.391, 84.392, 7 out of 18 expenditures totaling \$14,271.10
- For State Fiscal Stabilization Funds CFDA #84.394, 9 out of 15 expenditures totaling \$7,188.66

Cause: County Office does not regularly issue purchase orders for expenditures made for federal programs.

Effect: Possibility for unallowable expenditures to be made using federal funds and causing the County Office to be out of compliance with federal requirements.

Recommendation: We recommend the County Office consider revising procedures to require use of purchase requisitions on most purchases. Exceptions might be made for minor reimbursements, revolving expenditures, utilities and standing orders or contracts.

County Office's Response: Glenn County Office of Education concurs with the audit finding and is in the process of implementing a new fiscal system. As part of the implementation, we will incorporate the recommendation for purchase requisitions to be used on purchases for goods and services and will be in accordance with Superintendent Policy.

GLENN COUNTY OFFICE OF EDUCATION
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding #2010-4: After School Safety and Education Program: SPARK Program (40000)

Condition: Total student attendance claimed for months tested could not be reconciled to the number of sign-in/sign-out signatures on daily attendance logs.

Context: Attendance was over claimed for 4 out of 15 students tested by one day of attendance for each student.

Criteria: Per Education Code Section 8484.3, all local education agencies applying for State ASES funding are required to follow all fiscal reporting and auditing standards required by the Department of Education. Those standards required auditors to verify the Office of Education has maintained proper controls over the ASES program to ensure that amounts recorded for reporting to the state are accurate.

Questioned Cost: None, the program met its minimum participation threshold.

Cause: The County Office has been incorrectly claiming attendance for students on ASES professional development days when students are not present. An averaging calculation is used to adjust attendance for the three allowable staff training days.

Effect: Incorrect attendance is being reported on the report sent to the State.

Recommendation: We recommend that the County perform monthly reconciliations of manual sign in sheets and system detail reports to ensure that the correct numbers students are being recorded for attendance reporting

County Office's Response: Glenn County Office of Education concurs with the audit finding. This task will be assigned to a business department staff member to ensure that the sign in sheets are reconciled monthly to the system detail reports and accurate attendance data is reported.

GLENN COUNTY OFFICE OF EDUCATION
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding #2009-1: After School Education and Safety Program</i>	<p>Condition: During our test work over compliance with After School Education and Safety Program, it was noted that the reported number of students served did not agree with the supporting student sign-in records for the sample selected. Six of the twelve sites were selected for testing. For each site, we selected one month in the 2008-09 Second Semi-Annual reporting period and traced one day from the student sign-in sheets to the number of students served. Five of the six sites were misstated. For these sites we selected three more days to trace to student sign-in/out sheets and noted that these additional days were also missed. Additionally, the Office of Education has a written policy regarding reasonable early release of pupils from the After School Education and Safety Program. However, there is no consistent documentation on the sign-in/out sheets as to why students leave the program early. Therefore, we were unable to determine if a student left the After School Education and Safety Program for one of the reasonable early release reasons. Additionally, the sign-in/out sheets did not have consistent data regarding when student arrived at the program and when they left. This made it difficult to determine if students attended the correct amount of hours to be counted for attendance.</p>	40000	<p>The summarized daily attendance spreadsheet should be reviewed for accuracy by someone independent of the preparation of the spreadsheet prior to the submission of the After School Attendance Reports. Also, the attendance sheets should document why students leave the After School Education and Safety Program early. Additionally, a supervisor should review attendance sheets to verify they are complete and accurate each day.</p>	<p>Not implemented – see Finding #2010-4</p>