

**GLENN COUNTY
OFFICE OF EDUCATION**

**County of Glenn
Willows, California**

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

June 30, 2008

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*Glenn County
Office of Education*

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Glenn County Office of Education
Willows, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glenn County Office of Education (the Office of Education) as of and for the year ended June 30, 2008, which collectively comprise the Office of Education's financial statements as listed in the table of contents. These financial statements are the responsibility of the Office of Education's management. Our responsibility is to express 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of Education as of June 30, 2008, 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 a report dated February 24, 2009, on our consideration of the Office of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 important for assessing the results of our audit.

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

INDEPENDENT AUDITORS' REPORT

Continued

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

Matson and Isom

February 24, 2009

Required Supplemental Information

INTRODUCTION

Our discussion and analysis of the Glenn County Office of Education's (the Office of Education) financial performance provides an overview of the Office of Education's financial activities for the fiscal year ended June 30, 2008. It should be read in conjunction with the Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$21,374,551 at June 30, 2008. This was an increase of \$641,358 (3.1%) over the prior year.
- Overall revenues were \$25,467,349, which was more than expenses of \$24,825,991 by \$641,358.
- Long-term debt has decreased by \$43,273 due to scheduled payments on the certificates of participation.

USING THIS ANNUAL REPORT

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

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

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

- *Governmental funds* financial statements tell how general government services were financed in the short-term as well as what remains for future spending.
- *Fiduciary fund* financial statements provide information about the financial relationships in which the Office of Education acts solely as a trustee or agent for the benefit of others to whom the resources belong.

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

OVERVIEW OF THE FINANCIAL STATEMENTS**Government-Wide Financial Statements**

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

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

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

Fund Financial Statements

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

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

Fiduciary Funds – The Office of Education is the trustee, or fiduciary, for assets that belong to others. The Office of Education is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the Office 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 Office of Education cannot use the assets to finance its operations. The Office of Education has no funds of this type.

FINANCIAL ANALYSIS OF THE OFFICE OF EDUCATION AS A WHOLE

Net Assets

The Office of Education's combined net assets were \$21,374,551 at June 30, 2008. See Table 1.

Table 1: Net Assets

	Governmental Activities		Percentage Change 2007-2008
	2007	2008	
ASSETS			
Cash and investments	\$ 6,647,787	\$ 9,475,953	42.5%
Receivables	3,050,321	3,206,896	5.1%
Prepaid expenses	387,646	92,225	-76.2%
Capital assets, net of accumulated depreciation	14,707,318	14,803,763	0.7%
Total Assets	\$ 24,793,072	\$ 27,578,837	11.2%
LIABILITIES			
Accounts payable and other liabilities	\$ 1,382,573	\$ 3,560,351	157.5%
Deferred revenue	72,866	82,768	13.6%
Long-term debt	2,604,440	2,561,167	-1.7%
Total Liabilities	\$ 4,059,879	\$ 6,204,286	52.8%
NET ASSETS			
Invested in capital assets, net of related debt	\$ 12,207,318	\$ 14,803,763	21.3%
Restricted	3,630,276	3,824,949	5.4%
Unrestricted	4,895,599	2,745,839	-43.9%
Total Net Assets	\$ 20,733,193	\$ 21,374,551	3.1%

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

*Glenn County
Office of Education***Change in Net Assets**

The Office of Education's total revenues were \$25,467,349. A majority of the revenue comes from operating and capital grants (59.8%). Federal and state aid for specific programs accounted for another 24.8% of total revenues. The decrease in federal and state categorical programs from 2006-07 to 2007-08 is because there was no further funding for capital outlay projects in 2007-08. The decrease in other revenue is principally due to increased local contributions in lieu of district excess cost increases. Increase in charges for services is principally due to increased one-time grant awards and reimbursement for mandated costs, and the implementation of the State After-School Program.

The total cost of all programs and services was \$24,825,991. The Office of Education's expenses are predominately related to educating and caring for students (54%). Administrative activities accounted for 10.8% of total costs. The remaining expenses were for plant services (maintenance and operations), community services, ancillary services, enterprise activities, pupil services, and other outgo.

Table 2: Change in Net Assets

	Governmental Activities		Percentage Change 2007-2008
	2007	2008	
REVENUES			
PROGRAM REVENUES			
Charges for services	\$ 650,683	\$ 1,930,749	196.7%
Federal and state categorical programs	16,059,301	15,228,822	-5.2%
GENERAL REVENUES			
Property taxes	1,016,171	1,133,825	11.6%
Federal and state aid unrestricted	3,774,403	6,323,322	67.5%
Other	1,065,864	850,631	-20.2%
Total Revenues	22,566,422	25,467,349	12.9%
EXPENSES			
Instruction	7,501,264	7,357,275	-1.9%
Instruction-related	3,897,333	4,680,388	20.1%
Pupil services	1,293,741	1,402,385	8.4%
Ancillary services	128,050	188,640	47.3%
Community services	4,417,486	4,634,784	4.9%
General administration	2,544,029	2,677,399	5.2%
Maintenance and operations	560,967	543,921	-3.0%
Other outgo	2,721,694	3,237,985	19.0%
Interest on long-term debt	108,585	103,214	-4.9%
Total Expenses	23,173,149	24,825,991	7.1%
Change in Net Assets	\$ (606,727)	\$ 641,358	-205.7%

FINANCIAL ANALYSIS OF THE OFFICE OF EDUCATION'S FUNDS

The strong financial performance of the Office of Education as a whole is reflected in its governmental funds as well. As the Office of Education completed the year, its governmental funds reported a combined fund balance of \$9,130,891, above last year's ending fund balance of \$8,628,646. The primary reason for the increase is due to additional MAA regional revenue received during the year.

Governmental Funds

	Fund Balance June 30, 2007	Fund Balance June 30, 2008	Increase (Decrease)
County School Services	\$ 4,398,781	\$ 5,111,036	\$ 712,255
Charter Schools	66,457	142,309	75,852
Adult Education	52,232	75,836	23,604
Child Development	342,439	100,007	(242,432)
Deferred Maintenance	1,251,948	1,478,028	226,080
Forest Reserve	1,211	304	(907)
Special Reserve Special Revenue	1,811,340	1,673,418	(137,922)
Special Reserve for Postemployment Benefits	74,818	15,749	(59,069)
County School Facilities	629,420	534,204	(95,216)
Total	\$ 8,628,646	\$ 9,130,891	\$ 502,245

County School Services Fund Budgetary Highlights

Over the course of the year, the Office of Education revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 30, 2008. A schedule of the Office of Education's original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report.

Actual revenues were \$2,065 more than the final budget. Actual expenses were \$2,461,861 less than the final budget, with the principle difference being the practice of the Office of Education to fully budget the expenditure of carryover while not actually expending it. The original budgeted expenditures do not reflect carryover amounts and thus were comparable to actual expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the Office of Education had invested \$17,596,600 in a broad range of capital assets, including land, buildings and improvements, equipment, and vehicles. The Office of Education purchased vehicles, computer equipment, and software during the 2007-08 fiscal year. Construction in progress relates to the Office of Education's state bond supported building projects, which consist of three new buildings some of which are multiple classroom projects.

	Governmental Activities		Percentage
	2007	2008	Change 2007-2008
Land	\$ 1,175,985	\$ 1,175,985	0.0%
Buildings and improvements	10,351,791	10,361,011	0.1%
Equipment	961,975	1,055,006	9.7%
Vehicles	773,816	799,687	3.3%
Construction in progress	3,716,656	4,204,911	13.1%
Total Capital Assets	\$ 16,980,223	\$ 17,596,600	3.6%

The Office of Education's fiscal year 2009 budget projects no spending for capital projects. The Office of Education anticipates the close out of all previous projects during the 2008-2009 fiscal year.

Long-Term Debt

At year-end, the Office of Education had \$2,561,167 in debt, consisting of compensated absences and certificates of participation. The Office of Education reduced certificates of participation by \$25,000 during the fiscal year. Compensated absences decreased by \$18,273 during the fiscal year.

	Governmental Activities		Percentage
	2007	2008	Change 2007-2008
Compensated absences	\$ 104,440	\$ 86,167	-17.5%
Certificates of participation	2,500,000	2,475,000	-1.0%
Total Long-Term Debt	\$ 2,604,440	\$ 2,561,167	-1.7%

FACTORS BEARING ON THE OFFICE OF EDUCATION'S FUTURE

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

- The uncertainty of federal and state funding can have a profound impact on the financial health of the Office of Education. Although no changes are currently anticipated, the federal budget was recently adopted; and the state could implement midyear budget cuts as it did during the 2006 fiscal year.
- The continuing increases in premiums for health care insurance and worker's compensation could have a significant effect on the future financial health of the Office of Education. Health care premiums are predicted to continue to increase in the foreseeable future.
- The budget assumptions used to prepare the budget for 2009 included a 5.0 % cost of living allowance (COLA), and salary step and column increase were based upon actual cost.

CONTACTING THE OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

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

Randy Jones
Director of Business Services
Glenn County Office of Education
311 South Villa Avenue
Willows, CA 95988
(530) 934-6575 ext. 3050

Basic Financial Statements

STATEMENT OF NET ASSETS*Glenn County
Office of Education*

June 30, 2008	Governmental Activities
ASSETS	
Cash and investments	\$ 9,475,953
Accounts receivable	1,106,349
Due from other governments	2,100,547
Prepaid expenses	92,225
Nondepreciated capital assets	5,380,896
Depreciated capital assets	12,215,704
Accumulated depreciation	(2,792,837)
Total Assets	\$ 27,578,837
LIABILITIES	
Accounts payable and other current liabilities	\$ 3,560,351
Deferred revenue	82,768
Long-term obligations	
Due within one year	30,000
Due beyond one year	2,531,167
Total Liabilities	\$ 6,204,286
NET ASSETS	
Invested in capital assets - net of related debt	\$ 14,803,763
Restricted for capital projects	2,012,232
Restricted for educational programs	1,812,717
Unrestricted	2,745,839
Total Net Assets	\$ 21,374,551

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

STATEMENT OF ACTIVITIES

*Glenn County
Office of Education*

Year Ended June 30, 2008	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
PRIMARY GOVERNMENT					
Governmental activities					
Instruction	\$ 7,357,275	\$ 821,433	\$ 4,112,497	\$ 26,084	\$ (2,397,261)
Instruction - related services	4,680,388	237,138	2,365,600	-	(2,077,650)
Pupil services	1,402,385	321,796	840,870	-	(239,719)
Ancillary services	188,640	-	-	-	(188,640)
Community services	4,634,784	71,177	4,442,117	-	(121,490)
General administration	2,677,399	150,752	1,027,430	-	(1,499,217)
Plant services	543,921	52,528	651,433	-	160,040
Other outgo	3,237,985	275,925	1,762,791	-	(1,199,269)
Interest on long-term debt	103,214	-	-	-	(103,214)
Total Governmental Activities	\$ 24,825,991	\$ 1,930,749	\$ 15,202,738	\$ 26,084	(7,666,420)
GENERAL REVENUES					
					1,133,825
Property taxes - levied for general purposes					6,323,322
Federal and state aid not restricted to specific purposes					276,986
Unrestricted investment earnings					188,429
Interagency revenues					385,216
Miscellaneous					
Total General Revenues and Transfers					8,307,778
Change in Net Assets					641,358
Net Assets -Beginning of Year					20,733,193
Net Assets - End of Year					\$ 21,374,551

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

**BALANCE SHEET –
GOVERNMENTAL FUNDS**

*Glenn County
Office of Education*

June 30, 2008	County School Services Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 5,364,844	\$ 184,711	\$ 1,472,361	\$ 1,725,424	\$ 728,613	\$ 9,475,953
Accounts receivable	839,174	101,270	-	-	165,905	1,106,349
Due from other governments	1,637,449	372,696	5,667	7,051	77,684	2,100,547
Due from other funds	667,678	160,074	-	-	39,843	867,595
Prepaid expenditures	48,193	7,612	-	-	1,325	57,130
Total Assets	\$ 8,557,338	\$ 826,363	\$ 1,478,028	\$ 1,732,475	\$ 1,013,370	\$ 13,607,574
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and other current liabilities	\$ 3,166,915	\$ 292,230	\$ -	\$ -	\$ 67,175	\$ 3,526,320
Due to other funds	196,619	434,126	-	59,057	177,793	867,595
Deferred revenue	82,768	-	-	-	-	82,768
Total Liabilities	3,446,302	726,356	-	59,057	244,968	4,476,683
FUND BALANCES						
Reserved for revolving fund	6,000	2,000	-	-	-	8,000
Reserved for prepaid expenditures	48,193	7,612	-	-	1,325	57,130
Reserved for other purposes	1,505,198	-	-	-	-	1,505,198
Unreserved - reported in general fund	3,551,645	-	-	-	-	3,551,645
Unreserved - reported in special revenue funds	-	90,395	1,478,028	1,673,418	232,873	3,474,714
Unreserved - reported in capital projects funds	-	-	-	-	534,204	534,204
Total Fund Balances	5,111,036	100,007	1,478,028	1,673,418	768,402	9,130,891
Total Liabilities and Fund Balances	\$ 8,557,338	\$ 826,363	\$ 1,478,028	\$ 1,732,475	\$ 1,013,370	\$ 13,607,574

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

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

*Glenn County
Office of Education*

June 30, 2008

Total Fund Balances – Governmental Funds	\$ 9,130,891
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:</p>	
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.</p>	
Capital assets at historical cost	\$ 17,596,600
Accumulated depreciation	<u>(2,792,837)</u>
	14,803,763
<p>Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:</p>	
	35,095
<p>Unmatured interest on long-term debt: 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:</p>	
	(34,031)
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>	
Compensated absences	86,167
Certificates of participation	<u>2,475,000</u>
	<u>(2,561,167)</u>
Total Net Assets – Governmental Activities	\$ 21,374,551

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

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

*Glenn County
Office of Education*

Year Ended June 30, 2008	County School Services Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 1,133,854	\$ -	\$ -	\$ -	\$ -	\$ 1,133,854
State revenue	8,799,857	1,793,656	96,620	-	1,285,763	11,975,896
Federal revenue	5,116,059	3,097,116	-	-	516,123	8,729,298
Interest and investment earnings	188,264	(203)	57,223	74,620	40,854	360,758
Other local revenue	2,705,852	418,981	-	-	142,710	3,267,543
Total Revenues	17,943,886	5,309,550	153,843	74,620	1,985,450	25,467,349
EXPENDITURES						
Current						
Instruction	5,928,501	-	-	-	1,107,567	7,036,068
Instruction-related services	3,787,903	398,400	-	-	412,920	4,599,223
Pupil services	1,373,602	-	-	-	-	1,373,602
Ancillary services	185,297	-	-	-	-	185,297
Community services	305,735	4,348,150	-	-	-	4,653,885
General administration	2,157,424	433,451	-	-	89,088	2,679,963
Plant services	442,840	137,859	315	-	2,202	583,216
Transfers between agencies	2,936,785	-	-	-	301,200	3,237,985
Debt service						
Principal	25,000	-	-	-	-	25,000
Interest and other charges	102,609	-	-	-	-	102,609
Capital outlay	3,700	362,994	-	-	121,562	488,256
Total Expenditures	17,249,396	5,680,854	315	-	2,034,539	24,965,104
Excess (Deficiency) of Revenues Over Expenditures	694,490	(371,304)	153,528	74,620	(49,089)	502,245
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	288,496	173,710	72,552	-	113,817	648,575
Interfund transfers out	(270,731)	(44,838)	-	(212,542)	(120,464)	(648,575)
Total Other Financing Sources (Uses)	17,765	128,872	72,552	(212,542)	(6,647)	-
Net Change in Fund Balances	712,255	(242,432)	226,080	(137,922)	(55,736)	502,245
Fund Balances - Beginning of Year	4,398,781	342,439	1,251,948	1,811,340	824,138	8,628,646
Fund Balances - End of Year	\$ 5,111,036	\$ 100,007	\$ 1,478,028	\$ 1,673,418	\$ 768,402	\$ 9,130,891

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

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

*Glenn County
Office of Education*

June 30, 2008

Total Net Change in Fund Balances – Governmental Funds	\$ 502,245
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>	
<p>Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>	
Expenditures for capital outlay	\$ 616,377
Depreciation expense	<u>(519,932)</u>
	96,445
<p>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 reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:</p>	
	25,000
<p>Unmatured interest on long-term debt: 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:</p>	
	344
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:</p>	
	18,273
<p>Debt issue costs: In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. No issue costs were incurred during the period. Prior year issue costs amortized for the period are:</p>	
Issue costs amortized for the period	<u>(949)</u>
Change in Net Assets of Governmental Activities	\$ 641,358

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

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

The Office of Education is governed by an elected five member board. The Office of Education operates one opportunity school and one adult education program in Glenn County, California. The Office of Education is the sponsoring local education agency for one charter school.

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

Basis of Presentation**Government-Wide Financial Statements**

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

Fund Financial Statements

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

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

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

Special revenue funds are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Charter Schools Fund is used to report separately the activities of William Finch Charter School.
2. Adult Education Fund is used to account separately for federal, state, and local revenues and the expenditure of those funds to operate adult education programs (*California Education Code* Sections 52616[b] and 52501).
3. Child Development Fund is used to account separately for federal, state, and local revenues and the expenditure of those funds to operate child development programs (*California Education Code* Section 8328).
4. Deferred Maintenance Fund is used to account separately for state apportionments and Office of Education contributions for deferred maintenance purposes. Expenditures in this fund are for major repairs or replacements as identified in the plan approved by the State Allocation Board (*California Education Code* Sections 17582-17587).
5. Forest Reserve Fund is used to account separately for federal forest reserve funds received by the Office of Education for distribution to school districts and community college districts (*California Education Code* Section 2300; *California Government Code* Section 29484).
6. Special Reserve Fund is used to provide for the accumulation of resources designated for general operating purposes.
7. Special Reserve Fund for Postemployment Benefits is used to account for amounts earmarked for the future cost of retiree benefits but not contributed irrevocably to a separate trust for a retiree benefit plan.

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*California Education Code* Section 17070).

Major and Nonmajor Funds

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

Major Governmental Funds

- County School Services Fund
- Child Development Fund
- Deferred Maintenance Fund
- Special Reserve Special Revenue Fund

Nonmajor Governmental Funds

- Charter Schools Fund
- Adult Education Fund
- Forest Reserve Fund
- Special Reserve Fund for Postemployment Benefits
- County School Facilities Fund

Measurement Focus and Basis of Accounting

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

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

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

Basis of Accounting

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

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budgets and Budgetary Accounting

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

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

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

Cash, Cash Equivalents, and Investments

The Office of Education’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

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

In accordance with *California Education Code* Section 41001, the Office of Education maintains substantially all of its cash in the Glenn County Treasury as part of the common investment pool. The county is restricted by *California Government Code* Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the county pool are valued using the amortized cost method (which approximates fair value) and includes accrued interest. The pool has deposits and investments with a weighted-average maturity of less than one year. As of June 30, 2008, the fair value of the county pool is 100.24% of the carrying value and is deemed to not represent a material difference. Information regarding the amount of dollars invested in derivatives with the county was not available. The county investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code* Section 27130. The Office of Education is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The change in the fair value of investments was insignificant during the year ended June 30, 2008, and there was no significant unrealized gain or loss on investments held at June 30, 2008.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed but not received as of June 30, 2008. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the Office of Education has earned or been allocated but has not received as of June 30, 2008.

Interfund Receivables and Payables

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

Prepaid Expenses

Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Deferred Charges

On the government-wide financial statements, bond issuance costs are deferred as prepaid expenses and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. In the governmental funds, these costs are reported as expenditures when the related liability is incurred.

Fixed Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the Office of Education as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

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

Buildings	50
Portable classrooms	25
Site improvements	20
Equipment	5-15
Vehicles	8

Fund Financial Statements

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

Deferred Revenue

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

Long-Term Debt

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

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

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

Equity Classifications

Government-Wide Statements

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

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

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

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

Fund Statements

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

Revenue Limit and Property Tax

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

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

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

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

Revenue – Nonexchange Transactions

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

Expenditures and Expenses

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

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

Governmental funds – by character

Current (further classified by function)

Debt service

Capital outlay

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

Interfund Transfers

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

2. CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2008:

	Maturities	Fair Value
DEPOSITS (1)		\$ 8,000
INVESTMENTS THAT ARE NOT SECURITIES (2)		
County treasurer's investment pool	6.3 months average	9,467,953
Total Cash and Investments Per Government-Wide Statement of Net Assets		\$ 9,475,953

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Credit Risk – Investments

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

Concentration of Credit Risk – Investments

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

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

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

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

Interest Rate Risk – Investments

California Government Code Section 53601 limits the Office of Education’s investments to maturities of five years. The Office of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments grouped by maturity date at June 30, 2008, are as follows:

<u>Investment</u>	<u>Less Than One Year</u>
County treasurer's investment pool	\$ 9,467,953

3. INTERFUND TRANSACTIONS AND BALANCES

Interfund Receivables/Payables

Interfund receivable and payable balances in the fund financial statements are as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amounts</u>
County School Services	Charter Schools	\$ 90,007
County School Services	Adult Education	9,164
County School Services	Adult Education	76,000
County School Services	Child Development	433,450
County School Services	Special Reserve Special Revenue	59,057
Charter Schools	Adult Education	2,622
Adult Education	County School Services	36,545
Child Development	County School Services	160,074
Adult Education	Child Development	676
Total		\$ 867,595

The specific purposes of the interfund balances are as follows:

To reimburse the County School Services Fund for 2007-08 expenditures related to maintenance and operations and indirect charges incurred by the Charter Schools fund which were disbursed from the County School Services Fund;

To reimburse the County School Services Fund for 2007-08 expenditures related to maintenance and operations incurred by the Adult Education Fund which were disbursed from the County School Services Fund;

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

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County School Services Fund interfund receivable from the Adult Education Fund to provide a temporary loan to the Adult Education Fund;

To reimburse the County School Services Fund for 2007-08 indirect charges due from the Child Development Fund;

To deposit unrestricted funds from the Special Reserve Special Revenue Fund into the County School Services Fund for non-public schools transfer;

To reimburse the Charter Schools Fund for 2007-08 salaries and benefits expenditures incurred by the Adult Education Fund that were disbursed from the Charter Schools Fund;

To deposit final current year lottery distributions from the County School Services Fund into the Adult Education Fund and to reimburse for indirect costs;

To deposit final current year distributions from the County School Services Fund into the Charter Schools Fund and to reimburse for indirect costs; and

To reimburse the Adult Education Fund for 2007-08 literacy program service expenditures incurred by the Child Development Fund which were disbursed from the Adult Education Fund.

Interfund Transfers

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

Interfund transfers are as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
County School Services	Child Development	\$ 173,710
County School Services	Deferred Maintenance	72,552
County School Services	Adult Education	24,469
Charter Schools	County School Services	9,003
Forest Reserve	County School Services	41,540
Special Reserve Special Revenue	Charter Schools	89,348
Special Reserve Special Revenue	County School Services	123,194
Special Reserve for Postemployment Benefits	County School Services	61,465
Adult Education	County School Services	8,456
Child Development	County School Services	44,838
Total		\$ 648,575

Transfers are used for the following:

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

To use unrestricted revenues collected in the County School Services Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

No transfers are inconsistent with the activities of the funds making the transfer.

4. CAPITAL ASSETS

Capital asset activity is as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
NONDEPRECIATED CAPITAL ASSETS				
Land	\$ 1,175,985	\$ -	\$ -	\$ 1,175,985
Construction in progress	3,716,656	488,255	-	4,204,911
Total Nondepreciated Capital Assets	4,892,641	488,255	-	5,380,896
DEPRECIATED CAPITAL ASSETS				
Buildings	10,312,770	9,220	-	10,321,990
Site improvements	39,021	-	-	39,021
Equipment	961,975	93,031	-	1,055,006
Vehicles	773,816	25,871	-	799,687
Total Depreciated Capital Assets	12,087,582	128,122	-	12,215,704
Totals at Historical Cost	\$ 16,980,223	\$ 616,377	\$ -	\$ 17,596,600
LESS ACCUMULATED DEPRECIATION				
Buildings	\$ 1,418,899	\$ 394,381	\$ -	\$ 1,813,280
Site improvements	3,122	1,561	-	4,683
Equipment	338,054	74,869	-	412,923
Vehicles	512,830	49,121	-	561,951
Total Accumulated Depreciation	2,272,905	519,932	-	2,792,837
Total Depreciated Capital Assets - Net	9,814,677	(391,810)	-	9,422,867
Governmental Activities Capital Assets - Net	\$ 14,707,318	\$ 96,445	\$ -	\$ 14,803,763

Depreciation expense was charged to governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
Instruction	\$ 338,612
Instruction-related services	95,840
Pupil services	33,407
Community services	9,813
General administration	32,565
Plant services	9,695
Total Depreciation Expense - Governmental Activities	\$ 519,932

5. OPERATING LEASE

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 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 June 30	Lease Payments
2009	\$ 18,372
2010	18,372
2011	18,372
2012	18,372
2013	18,372
Total	\$ 91,860

6. CERTIFICATES OF PARTICIPATION

In September 2005, the Office of Education issued certificates of participation (COP) in the amount of \$2,538,000, with an interest rate of 4.125%. As of June 30, 2008, the principal balance outstanding was \$2,475,000. The amount of interest cost incurred during the year ended June 30, 2008, was \$102,609, all of which was charged to expenses.

The certificates mature through 2046 as follows:

Year Ending June 30	Principal	Interest	Total
2009	\$ 30,000	\$ 101,475	\$ 131,475
2010	30,000	100,238	130,238
2011	30,000	99,000	129,000
2012	30,000	97,763	127,763
2013	30,000	96,525	126,525
2014-2018	185,000	461,072	646,072
2019-2023	225,000	418,997	643,997
2024-2028	280,000	367,125	647,125
2029-2033	345,000	302,672	647,672
2034-2038	415,000	224,709	639,709
2039-2043	515,000	128,803	643,803
2044-2046	360,000	22,688	382,688
Total	\$ 2,475,000	\$ 2,421,067	\$ 4,896,067

7. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Compensated absences	\$ 104,440	\$ -	\$ 18,273	\$ 86,167	\$ -
Certificates of participation	2,500,000	-	25,000	2,475,000	30,000
Total	\$ 2,604,440	\$ -	\$ 43,273	\$ 2,561,167	\$ 30,000

8. DESIGNATED FUND BALANCES

Fund balances as of June 30, 2008, are designated for the following purpose:

	County School Services Fund	Child Development Fund	Deferred Maintenance Fund	Special Reserve Special Revenue Fund	Other Governmental Funds
Designated for special purposes	\$ 150,000	\$ 90,395	\$ 1,478,028	\$ 1,673,418	\$ 767,077
Designated for economic uncertainties	850,000	-	-	-	-
Total Designated	1,000,000	90,395	1,478,028	1,673,418	767,077
Undesignated	2,551,645	-	-	-	-
Total Unreserved	\$ 3,551,645	\$ 90,395	\$ 1,478,028	\$ 1,673,418	\$ 767,077

9. JOINT POWERS AUTHORITIES

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

The JPAs arrange for and provide property, liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The Office of Education's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA. Condensed financial information of the JPAs for the year ended June 30, 2007, is as follows:

	GSRMA	SELF	TCSIG
Total assets	\$ 10,899,507	\$ 215,903,000	\$ 25,697,797
Total liabilities	6,816,065	185,793,000	8,913,681
Net Assets (Liabilities)	\$ 4,083,442	\$ 30,110,000	\$ 16,784,116
Operating revenues	\$ 4,816,718	\$ 39,511,000	\$ 49,066,221
Operating expenses	3,978,177	45,867,000	43,548,422
Other income (expenses)	611,160	8,420,000	1,018,365
Excess Revenues (Expenses)	\$ 1,449,701	\$ 2,064,000	\$ 6,536,164

10. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

11. RISK MANAGEMENT

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

12. EMPLOYEE RETIREMENT SYSTEMS

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

California State Teachers' Retirement System

Plan Description

The Office of Education contributes to 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, 7919 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 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Office of Education's contributions to CalSTRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$414,510, \$426,279, and \$474,101, respectively, and equaled 100% of the required contributions for each year.

California Public Employees Retirement System

Plan Description

The Office of Education contributes to the School Employer Pool under 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 CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the 2007-08 fiscal year was 9.306%. The contribution requirements of the plan members are established by state statute. The Office of Education's contributions to CalPERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$497,976, \$438,280, and \$387,204, respectively, and equaled 100% of the required contributions for each year.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described above, the Office of Education provides postemployment health care benefits to all employees who retire from the Office of Education on or after attaining the age of 55 with at least 15 consecutive years of service. On June 30, 2008, six retirees met these eligibility requirements.

The Office of Education pays \$748 per month toward the cost of medical, dental, and vision premiums for two years following retirement. Expenditures are recognized as incurred. During the fiscal year ended June 30, 2008, expenditures of \$46,931 were recognized for postemployment health care.

Required Supplemental Information

**BUDGETARY COMPARISON SCHEDULE –
COUNTY SCHOOL SERVICES FUND**

*Glenn County
Office of Education*

Year Ended June 30, 2008	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final	GAAP Basis	
REVENUES				
Property taxes	\$ 829,301	\$ 832,313	\$ 1,133,854	\$ 301,541
State revenue	8,962,593	9,288,341	8,799,857	(488,484)
Federal revenue	3,723,763	4,821,999	5,116,059	294,060
Interest and investment earnings	130,300	130,300	188,264	57,964
Other local revenue	2,689,508	2,868,868	2,705,852	(163,016)
Total Revenues	16,335,465	17,941,821	17,943,886	2,065
EXPENDITURES				
Current				
Instruction	3,940,708	3,929,972	5,928,501	(1,998,529)
Instruction - related services	4,527,291	4,933,451	3,787,903	1,145,548
Pupil services	2,487,037	2,667,198	1,373,602	1,293,596
Ancillary services	1,072,999	1,811,458	185,297	1,626,161
Community services	2,047,474	3,717,573	305,735	3,411,838
Enterprise activities	39,000	102,189	-	102,189
General administration	2,227,427	2,407,507	2,157,424	250,083
Plant services	-	-	442,840	(442,840)
Transfers between agencies	-	-	2,936,785	(2,936,785)
Debt service				
Principal	51,563	51,563	25,000	26,563
Interest and other charges	90,346	90,346	102,609	(12,263)
Capital outlay	-	-	3,700	(3,700)
Total Expenditures	16,483,845	19,711,257	17,249,396	2,461,861
Excess (Deficiency) of Revenues Over Expenditures				
	(148,380)	(1,769,436)	694,490	2,463,926
OTHER FINANCING SOURCES (USES)				
Transfers in	205,968	375,278	288,496	(86,782)
Transfers out	(355,072)	(352,944)	(270,731)	82,213
Total Other Financing Sources (Uses)	(149,104)	22,334	17,765	(4,569)
Net Change in Fund Balances	(297,484)	(1,747,102)	712,255	2,459,357
Fund Balances - Beginning of Year	4,398,781	4,398,781	4,398,781	-
Fund Balances - End of Year	\$ 4,101,297	\$ 2,651,679	\$ 5,111,036	\$ 2,459,357

See the accompanying notes to this budgetary comparison schedule.

**BUDGETARY COMPARISON SCHEDULE –
CHILD DEVELOPMENT FUND**

*Glenn County
Office of Education*

Year Ended June 30, 2008	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State revenue	\$ 1,564,563	\$ 1,949,213	\$ 1,793,656	\$ (155,557)
Federal revenue	3,386,364	3,197,609	3,097,116	(100,493)
Interest and investment earnings	3,500	6,253	(203)	(6,456)
Other local revenue	443,155	471,458	418,981	(52,477)
Total Revenues	5,397,582	5,624,533	5,309,550	(314,983)
EXPENDITURES				
Current				
Instruction	984,048	996,178	-	996,178
Instruction - related services	984,108	1,044,345	398,400	645,945
Pupil services	571,093	575,106	-	575,106
Ancillary services	250,415	344,262	-	344,262
Community services	2,233,804	2,241,683	4,348,150	(2,106,467)
General administration	451,010	442,579	433,451	9,128
Plant services	-	-	137,859	(137,859)
Enterprise activities	56,530	489,105	-	489,105
Capital outlay	-	-	362,994	(362,994)
Total Expenditures	5,531,008	6,133,258	5,680,854	452,404
Excess (Deficiency) of Revenues Over Expenditures				
	(133,426)	(508,725)	(371,304)	137,421
OTHER FINANCING SOURCES (USES)				
Transfers in	180,193	179,114	173,710	(5,404)
Transfers out	(46,737)	(45,178)	(44,838)	340
Total Other Financing Sources (Uses)	133,456	133,936	128,872	(5,064)
Net Change in Fund Balances	30	(374,789)	(242,432)	132,357
Fund Balances - Beginning of Year	342,439	342,439	342,439	-
Fund Balances - End of Year	\$ 342,469	\$ (32,350)	\$ 100,007	\$ 132,357

See the accompanying notes to this budgetary comparison schedule.

**BUDGETARY COMPARISON SCHEDULE –
DEFERRED MAINTENANCE FUND**

*Glenn County
Office of Education*

Year Ended June 30, 2008	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	GAAP Basis	Final Budget - Positive (Negative)
REVENUES				
State revenue	\$ 94,786	\$ 94,786	\$ 96,620	\$ 1,834
Interest and investment earnings	35,328	35,328	57,223	21,895
Total Revenues	130,114	130,114	153,843	23,729
EXPENDITURES				
Current				
Community services	207,236	207,236	-	207,236
Plant services	-	-	315	(315)
Total Expenditures	207,236	207,236	315	206,921
Excess (Deficiency) of Revenues Over Expenditures	(77,122)	(77,122)	153,528	230,650
OTHER FINANCING SOURCES (USES)				
Transfers in	77,092	77,122	72,552	(4,570)
Net Change in Fund Balances	(30)	-	226,080	226,080
Fund Balances - Beginning of Year	1,251,948	1,251,948	1,251,948	-
Fund Balances - End of Year	\$ 1,251,918	\$ 1,251,948	\$ 1,478,028	\$ 226,080

See the accompanying notes to this budgetary comparison schedule.

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

*Glenn County
Office of Education*

Year Ended June 30, 2008	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Interest and investment earnings	\$ 60,000	\$ 60,000	\$ 74,620	\$ 14,620
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	60,000	60,000	74,620	14,620
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(206,485)	(212,542)	(6,057)
Net Change in Fund Balances	60,000	(146,485)	(137,922)	8,563
Fund Balances - Beginning of Year	1,811,340	1,811,340	1,811,340	-
Fund Balances - End of Year	\$ 1,871,340	\$ 1,664,855	\$ 1,673,418	\$ 8,563

See the accompanying notes to this budgetary comparison schedule.

**NOTES TO THE BUDGETARY
COMPARISON SCHEDULES**

June 30, 2008

*Glenn County
Office of Education*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Office of Education’s Governing Board annually adopts budgets for the County School Services Fund and each major special revenue fund of the Office of Education. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the County School Services Fund and the special revenue funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2008, expenditures exceeded appropriations by the following amount:

FUNCTION	County School Services Fund	Child Development Fund	Deferred Maintenance Fund
Instruction	\$ 1,998,529	\$ -	\$ -
Community services	\$ -	\$ 2,106,467	\$ -
Plant services	\$ 442,840	\$ 137,859	\$ 315
Transfers between agencies	\$ 2,936,785	\$ -	\$ -
Debt service - interest and other charges	\$ 12,263	\$ -	\$ -
Capital outlay	\$ 3,700	\$ 362,994	\$ -

These excess expenditures were offset by unexpended appropriations in other categories.

OTHER SUPPLEMENTAL INFORMATION SECTION

**LOCAL EDUCATION AGENCY ORGANIZATION
STRUCTURE**

June 30, 2008

*Glenn County
Office of Education*

The Office of Education is located in Glenn County. There were no changes in the boundaries of the Office of Education during the current year. The Office of Education is currently operating one opportunity school and one adult education program. The Office of Education is the sponsoring local educational agency for one charter school.

GOVERNING BOARD

Name	Office	Term Expires
Ray Gollnick	President	2008
James Mason	Vice President	2012
Catherine Hanes	Member	2012
Linda Miller	Member	2008
Julia Larson	Member	2008

ADMINISTRATION

Arturo Barrera
Superintendent

Randy Jones
Director of Business Services

Vicki Shadd
Director of Student Services and SELPA

Mary Ann Hagan
Assistant Superintendent

Shirley Diaz
Assistant Superintendent

Merrilee Johnson
Assistant Superintendent

SCHEDULE OF AVERAGE DAILY ATTENDANCE

June 30, 2008

*Glenn County
Office of Education*

Report of Schools and Classes Maintained	Annual Report
ELEMENTARY	
Juvenile halls, homes, and camps	2
Opportunity schools and full-day opportunity classes	30
Elementary Totals	32
HIGH SCHOOL	
Juvenile halls, homes, and camps	19
Opportunity schools and full-day opportunity classes	4
Regional occupational programs	349
Handicapped adults	23
Adults (<i>California Education Code Section 52616.21</i>)	150
High School Totals	545
ADA Totals	577

County Operated Special Day Classes	Second Period Report	Annual Report
ELEMENTARY		
Special day classes		
SDC	68	65
SDC extended year	4	3
Elementary Totals	72	68
HIGH SCHOOL		
Special day classes		
SDC	48	52
SDC extended year	1	1
Nonpublic, nonsectarian schools	1	1
High School Totals	50	54
ADA Totals	122	122

See the accompanying notes to the other supplemental information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE

June 30, 2008

*Glenn County
Office of Education*

Funded Through Block Grant	Second Period Report	Annual Report
WILLIAM FINCH CHARTER SCHOOL		
Kindergarten	4	4
Grades 1 through 3	9	9
Grades 4 through 6	27	27
Grades 7 and 8	26	27
Grades 9 through 12	64	63
ADA Totals (All Full-Time Independent Study)	130	130

See the accompanying notes to the other supplemental information.

SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2008

*Glenn County
Office of Education*

	1986-87 Minutes Requirement	2007-08 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	36,000	36,305	180	N/A	Complied
Grade 1	50,400	50,508	180	N/A	Complied
Grade 2	50,400	50,508	180	N/A	Complied
Grade 3	50,400	50,508	180	N/A	Complied
Grade 4	54,000	54,120	180	N/A	Complied
Grade 5	54,000	54,120	180	N/A	Complied
Grade 6	54,000	54,120	180	N/A	Complied
Grade 7	54,000	54,300	180	N/A	Complied
Grade 8	54,000	54,300	180	N/A	Complied
Grade 9	64,800	65,000	180	N/A	Complied
Grade 10	64,800	65,000	180	N/A	Complied
Grade 11	64,800	65,000	180	N/A	Complied
Grade 12	64,800	65,000	180	N/A	Complied

See the accompanying notes to the other supplemental information.

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Year Ended June 30, 2008

*Glenn County
Office of Education*

Page 1 of 2

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
FEDERAL PROGRAMS			
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
NCLB - Title I, Part A, Basic Grants	84.010	13797	\$ 127,871
NCLB - Title I, Part D, Subpart 2, Local Delinquent	84.010	14357	22,667
NCLB - Title II, Part A, Teacher Quality	84.367	14341	5,262
NCLB - Title II, Part D, Enhancing Education Through Technology	84.318	14334	708
NCLB - Title III, Limited English Proficiency Student Program	84.365	10084	1,544
NCLB - Title IV, Part A, Drug-Free Schools	84.186	14347	4,134
NCLB - Title V, Part A, Innovative Education Strategies	84.298	13340	845
NCLB - Drug-Free Schools: Program Development	84.186	14378	58,847
Special Education - IDEA Basic Local Assistance	84.027	13379	929,596
Special Education - IDEA Preschool	84.173	13430	41,009
Special Education - IDEA Preschool Local Entitlement	84.027	13682	55,145
Special Education - IDEA Mental Health Allocation	84.027	14468	60,071
Special Education - IDEA Preschool Staff Development	84.173	13431	994
Special Education - IDEA Early Intervention	84.181	23761	34,422
Department of Rehabilitation - Workability II, Transition Partnership	84.158	10006	100,191
Vocational Programs - Vocational and Applied Technical Secondary IC, Section 131	84.048	13924	48,337
Vocational Programs - Adult, Section 132	84.048	13923	3,459
Adult Education - Adult Basic Education and ESL	84.002	14508	8,519
Adult Education - English Literacy and Civics Education	84.002	14109	15,000
Adult Education - Adult Secondary Education	84.002	13978	3,200
Adult Education - Family Literacy	84.002	13977	3,825
NCLB - Title VI, Part B, Rural and Low Income School	84.358	14356	4,600
NCLB - Title X, Education for Homeless Children and Youth	84.196	14332	88,830
Passed Through Butte Glenn Community College District			
Vocational Programs - Vocational and Applied Technical Preparation, Title II, Section 203	84.243	13929	2,442
Passed Through Tehama County Department of Education			
NCLB - Title I, Local Improvement Plan, Regional School Support and Improvement Centers	84.010	14330	10,079
NCLB - Title I, Part A, Basic School Support	84.010	13797	6,101
Direct Program			
NCLB - Title IV, 21st Century Community Learning Center Teaching American History	84.287 84.215X	14681	214,346 396,184
Total U.S. Department of Education			<u>2,248,228</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child and Adult Care Food	10.558	13393	144,430
Passed Through Colusa County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	1,815
Direct Program			
Schools and Roads - Grants to Counties	10.666		296,262
Total U.S. Department of Agriculture			<u>442,507</u>
Balance Forward			<u>\$ 2,690,735</u>

See the accompanying notes to the other supplemental information.

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Year Ended June 30, 2008

*Glenn County
Office of Education*

Page 2 of 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Balance Carried Forward			\$ 2,690,735
U.S. DEPARTMENT OF THE INTERIOR			
Passed Through Tehama County Office of Education			
Fish and Wildlife Management Assistance	15.608		17
Passed Through Colusa County Office of Education			
Fish and Wildlife Management Assistance	15.608		606
Direct Program			
Fish and Wildlife Management Assistance	15.608		4,282
Total U.S. Department of the Interior			4,905
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education			
Child Development - Quality Improvement Activities	93.575	13942	58,171
Child Development - Federal Alternative Payment	93.596	13694	265,395
Child Development - Local Planning Councils	93.575	13946	89,758
Child Development - Federal Alternative Payment - Stage II	93.575	13880	60,698
Child Development - Federal Alternative Payment - Stage III	93.575	1881	93,869
Child Development - School-Age Child Care Resource	93.575	13941	2,177
Child Development - Federal Resource and Referral	93.575	13934	90,201
Child Development - Infant/Toddler Child Care Resource	93.575	13942	2,609
Child Development - Centralized Eligibility List	93.575	14776	24,894
Direct Program			
Head Start-PA25	93.600	10016	2,253,841
Head Start-PA22	93.600	10016	37,953
Passed Through State of California			
Medi-Cal Administrative Activities (MAA)	93.UNKNOWN	10060	2,681,244
Passed Through CSU, Chico Research Foundation			
Special Programs for the Aging - Title III, Part B - Grants for Services	93.044		43,309
Special Programs for the Aging - Title III, Part C - Nutrition	93.045		145,496
Total U.S. Department of Health and Human Services			5,849,615
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the Office of Traffic Safety			
State and Community Highway Safety	20.600		184,043
Total Expenditures of Federal Awards			\$ 8,729,298

See the accompanying notes to the other supplemental information.

**SCHEDULE OF FINANCIAL TRENDS
AND ANALYSIS**

*Glenn County
Office of Education*

<u>Year Ended June 30</u>	<u>(Budget) 2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
COUNTY SCHOOL SERVICES FUND				
Revenues and Other Financial Sources	\$ 17,362,314	\$ 18,232,382	\$ 15,763,318	\$ 16,057,011
Expenditures	17,660,810	17,249,396	15,585,107	16,371,503
Other uses and transfers out	161,940	270,731	372,475	867,687
Total Outgo	<u>17,822,750</u>	<u>17,520,127</u>	<u>15,957,582</u>	<u>17,239,190</u>
Change in Fund Balance	\$ (460,436)	\$ 712,255	\$ (194,264)	\$ (1,182,179)
Ending Fund Balance	<u>4,650,600</u>	<u>5,111,036</u>	<u>4,398,781</u>	<u>4,593,045</u>
Available Reserves	<u>3,162,130</u>	<u>3,551,645</u>	<u>2,752,610</u>	<u>4,545,657</u>
Designated for Economic Uncertainties	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>
Undesignated Fund Balance	<u>2,162,130</u>	<u>2,551,645</u>	<u>1,752,610</u>	<u>3,525,273</u>
Available Reserves as a Percentage of Total Outgo	<u>18%</u>	<u>20%</u>	<u>17%</u>	<u>26%</u>
Total Long-Term Debt	<u>2,531,167</u>	<u>2,561,167</u>	<u>2,604,440</u>	<u>2,713,269</u>
Average Daily Attendance at Annual	<u>665</u>	<u>656</u>	<u>672</u>	<u>726</u>

The County School Services Fund balance has increased by \$517,991 over the past two years. The fiscal year 2008-09 budget projects a decrease of \$460,436 (9%). For an office of education this size, the state recommends available reserves of at least 3% of total County School Services Fund expenditures, transfers out, and other uses (total outgo).

The Office of Education has incurred an operating deficit in two of the past three years and anticipates incurring an operating deficit during the 2008-09 fiscal year. Total long-term debt has decreased by \$152,102 over the past two years.

Average daily attendance has decreased by 70 over the past two years. Additional growth in ADA of nine is anticipated during fiscal year 2008-09.

See the accompanying notes to the other supplemental information.

**RECONCILIATION OF ANNUAL FINANCIAL
AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS**

*Glenn County
Office of Education*

Year Ended June 30, 2008	Child Development Fund
June 30, 2008, Annual Financial and Budget Report Fund Balances	\$ 39,855
ADJUSTMENTS INCREASING (DECREASING) THE FUND BALANCES	
Understatement of cash and investments	60,152
June 30, 2008, Audited Financial Statement Fund Balances	\$ 100,007

See the accompanying notes to the other supplemental information.

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2008

*Glenn County
Office of Education*

Charter schools sponsored by the Office of Education that are included in the audit of the Office of Education:

William Finch Charter School

See the accompanying notes to the other supplemental information.

SCHEDULE OF EXCESS SICK LEAVE

Year Ended June 30, 2008

*Glenn County
Office of Education*

The Office of Education does not provide more than 12 sick leave days in a school year to any of the following California State Teachers' Retirement System (CalSTRS) members:

Superintendent

Other high level administrators

Teachers

See the accompanying notes to the other supplemental information.

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

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

Schedule of Instructional Time

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

Schedule of Expenditures of Federal Awards

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the Office of Education and indicates whether or not the charter school is included in the audit of the Office of Education.

Schedule of Excess Sick Leave

This schedule discloses whether excess sick leave, as that term is defined in subdivision (c) of *California Education Code* Section 22170.5, is expressly authorized or is accrued for the Office of Education's employees who are members of the California State Teachers' Retirement System (CalSTRS).

2. EARLY RETIREMENT INCENTIVE PROGRAM

The Office of Education has adopted an early retirement incentive program, pursuant to *California Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the CalSTRS and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the Office of Education.

Retiree Information

Five employees have retired in exchange for the additional two years of service credit.

<u>Position Vacated</u>	<u>Age</u>	<u>Service Credit</u>	<u>Retired Employee</u>		<u>Replacement Employee</u>	
			<u>Salary</u>	<u>Benefits</u>	<u>Salary</u>	<u>Benefits</u>
Department director	58	23	\$ 44,014	\$ 7,584	\$ -	\$ -
Teacher	62	31	66,268	7,584	-	-
Nurse	62	30	64,092	7,584	43,215	7,584
Teacher	65	39	64,092	7,584	43,215	7,584
Teacher	61	23	29,129	-	-	-
Totals			\$ 267,595	\$ 30,336	\$ 86,430	\$ 15,168

Additional Costs

As a result of this early retirement incentive program, the Office of Education expects to incur \$231,091 in additional costs. The breakdown in additional costs is presented below:

Retirement costs	\$ 184,137
Postemployment health care benefit costs	45,504
Administrative costs	1,450
Total	\$ 231,091

OTHER REPORTS SECTION



matson and isom

Founded in 1962 by
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and W. Howard Isom

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

Board of Education
Glenn County Office of Education
Willows, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glenn County Office of Education (the Office of Education) as of and for the year ended June 30, 2008, which collectively comprise the Office of Education's basic financial statements and have issued our report thereon dated February 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office of Education's internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Office of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Office of Education's financial statements that is more than inconsequential will not be prevented or detected by the Office of Education's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Office of Education's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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

Continued

Compliance and Other Matters

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

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

Matson and Isom

February 24, 2009



matson and isom

Founded in 1962 by
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Glenn County Office of Education
Willows, California

Compliance

We have audited the compliance of Glenn County Office of Education (the Office of Education) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Office of Education's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Office of Education's management. Our responsibility is to express an opinion on the Office of Education's compliance based on our audit.

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

In our opinion, the Office of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the 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 the Office of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Office of Education's internal control over compliance.

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

Continued

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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

Matson and Ison

February 24, 2009



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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Glenn County Office of Education
Willows, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glenn County Office of Education (the Office of Education) as of and for the year ended June 30, 2008, which collectively comprise the Office of Education's basic financial statements and have issued our report thereon dated February 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, 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 our audit provides a reasonable basis for our opinion.

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

<u>Description</u>	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Kindergarten continuance	3	No
Independent study	23	Yes
Continuation education	10	No
Adult education	9	Yes
Regional occupational centers and programs	6	Yes
Instructional time		
School districts	6	Not applicable
County offices of education	3	Yes
Community day schools	9	No
Morgan-Hart class size reduction program	7	No
Instructional materials		
General requirements	12	Yes
Kindergarten through grade 8 only	1	Yes
Grades 9 through 12 only	1	Yes
Ratios of administrative employees to teachers	1	No
Classroom teacher salaries	1	No
Early retirement incentive program	4	Yes
Gann limit calculation	1	Yes

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

Description	Procedures in Audit Guide	Procedures Performed
School construction funds		
School district bonds	3	No
State school facilities funds	1	Yes
Excess sick leave	3	Yes
Notice of right to elect California State Teacher Retirement System (CalSTRS) membership	1	Yes
Proposition 20 lottery funds (Cardenas Textbook Act of 2000)	2	Yes
State lottery funds (California State Lottery Act of 1984)	2	Yes
California school age families education (Cal-SAFE) program	3	No
School accountability report card	3	Yes
Mathematics and reading professional development	4	No
Class size reduction (including in charter schools)		
General requirements	7	No
Option one classes	3	No
Option two classes	4	No
Districts or charter schools with only one school serving kindergarten through grade 3	4	Not applicable
After school education and safety program (including charter schools)		
General requirements	4	Yes
After school	4	Yes
Before school	5	No
Charter schools:		
Contemporaneous records of attendance	1	Yes
Mode of instruction	1	No
Nonclassroom-based instruction/independent study	15	Yes
Determination of funding for nonclassroom-based instruction	3	Yes
Annual instructional minutes - classroom based	3	No

Kindergarten continuance steps (c) and (d) were not performed because the Office of Education did not retain any pupils in kindergarten during 2007-08 who had already completed one school year in kindergarten. The audit procedure related to ratios of administrative employees to teachers does not apply to offices of education. The audit procedure related to classroom teacher salaries does not apply to offices of education.

Since the Office of Education did not participate in the following programs during 2007-08, all steps related to them were not performed:

- Continuation education
- Community day schools
- Morgan-Hart class size reduction program
- School district bonds
- California school age families education (Cal-SAFE) program
- Mathematics and reading professional development
- Class size reduction option one classes
- Class size reduction option two classes
- After school education and safety program – before school

Since the Office of Education did not sponsor any charter schools that offered classroom based instruction during 2007-08, all steps related to the following were not performed:

- Mode of instruction
- Annual instructional minutes - classroom based

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Continued

Based on our audit, for the items tested, we found the Office of Education complied with the state laws and regulations referred to above, except as described in the schedule of findings and questioned costs. Further, based on our examination for items not tested, nothing came to our attention to indicate that the Office of Education had not complied with state laws and regulations, except as described in the accompanying schedule of findings and questioned costs as item 08-1.

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

Matson and Isom

February 24, 2009

FINDINGS AND QUESTIONED COSTS SECTION

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

June 30, 2008

*Glenn County
Office of Education*

**SECTION I
SUMMARY OF AUDIT RESULTS**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major program	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs	
CFDA No. 84.027	Special Education – IDEA Basic Local Assistance
CFDA No. 84.173	Special Education – IDEA Preschool
CFDA No. 93.	Medi-Cal Administrative Activities (MAA)
CFDA No. 84.215X	Teaching American History
Threshold for distinguishing types A and B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for state programs	Qualified

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

June 30, 2008

*Glenn County
Office of Education*

**SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT**

None.

**SECTION III FINDINGS
FEDERAL AWARDS AUDIT**

None.

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

June 30, 2008

*Glenn County
Office of Education*

**SECTION IV FINDINGS
STATE AWARDS AUDIT**

STATE COMPLIANCE (After School Education and Safety Program)

40000 (08-1)

Significant Deficiency

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. All eleven sites were selected for testing. For each site, we selected one month in the 2007-08 First Semi-Annual reporting period and traced one day from the student sign-in sheets to the number of students served. Six of the eleven sites were misstated. For these sites we selected three more days to trace noting these additional days were also misstated. Additionally, the County Office has a written policy regarding reasonable early release of pupils from the After School 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 students 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.

Criteria

Internal controls should be implemented to require the summarized daily attendance spreadsheet to 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 have a place to document the reason for reasonable early release from the After School Program. Additionally, a supervisor should review attendance sheets to verify they are complete and accurate each day.

Effect

The 2007-08 First Semi-Annual After School Attendance Report was misstated. Attendance records do not document when the students came to the program and when or why they left. There is no fiscal effect for this funding as finding is not based on the number of students served.

Recommendation

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 Program early. Additionally, a supervisor should review attendance sheets to verify they are complete and accurate each day.

Response

The Office of Education's administration will adopt procedures during the 2008-09 fiscal year to comply with the recommendation.

CORRECTIVE ACTION PLAN

June 30, 2008

*Glenn County
Office of Education*

Not applicable: there are no current year findings related to federal awards.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

June 30, 2008

*Glenn County
Office of Education*

STATE COMPLIANCE (Incentives for Longer Instructional Day)

40000 (07-1)

Reportable Condition

Condition

During our test work over compliance with longer instructional day incentive funding, it was noted that the instructional minutes were 190 minutes short of the required 64,800 minutes for grades nine through twelve at Willows Unified School District, where the Office of Education operates a special day program.

Criteria

To qualify for instructional time incentive funding, the Office of Education must offer at least the amount of instructional time specified in *California Education Code* Section 46201.

Effect

The Office of Education is subject to an instructional time penalty for not offering the 64,800 minutes required for grades nine through twelve at Willows Unified School District. The Office of Education is required to return to the California Department of Education funding totaling \$26.66 that was received from principal apportionments. The amount is calculated by multiplying 15.43 ADA by the result of the following:

Number of minutes short	190
Divided by number of required minutes	64,800
Multiplied by special education incidence multiplier (IM) rate	\$589.36

Recommendation

We recommend that the Office of Education increase instructional minutes for grades nine through twelve at Willows Unified School District to the minimum required of 64,800 in order to be in compliance with the state requirements to receive the longer instructional day incentive funding. We also recommend the Office of Education return funding totaling \$26.66 to the California Department of Education.

Current Status

Fully implemented.