

GLENN COUNTY OFFICE OF EDUCATION

AUDIT REPORT

JUNE 30, 2017

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

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 FOR THE YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Glenn County Office of Education
Willows, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Glenn County Office of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Glenn County Office of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Michael Ash, CPA

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State Board of Accountancy*

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Glenn County Office of Education, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedules of proportionate share of net pension liability, and schedules of County Office contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Glenn County Office of Education's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 on our consideration of Glenn County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Glenn County Office of Education's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 11, 2017

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTRODUCTION

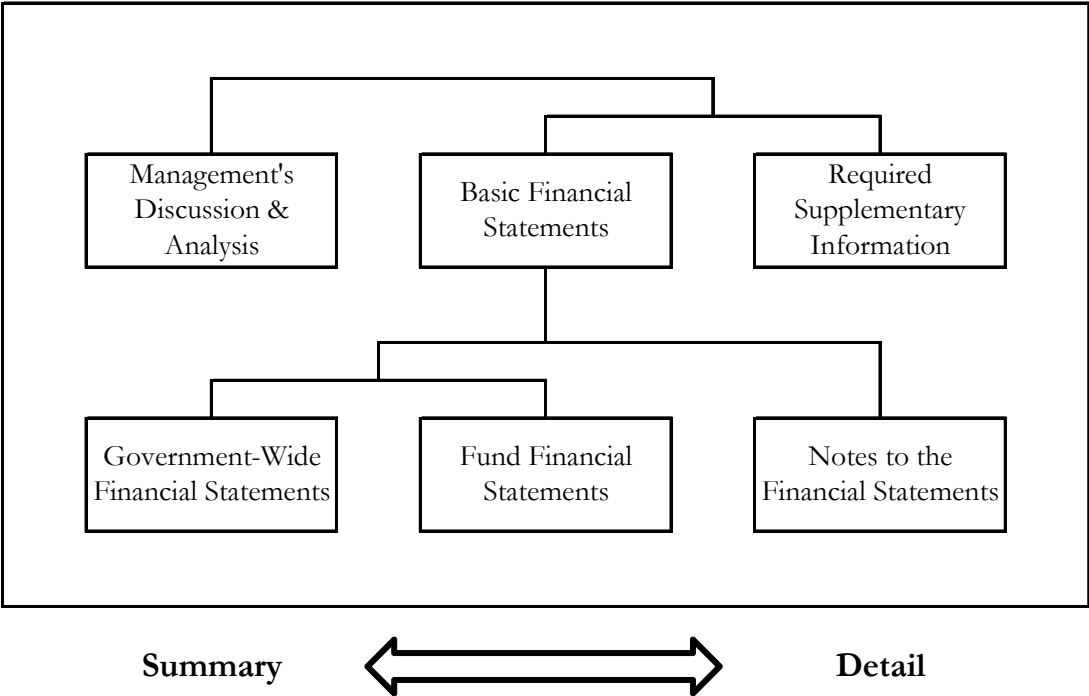
Our discussion and analysis of Glenn County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the County Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$3,071,991 at June 30, 2017. This was an increase of \$814,379 from the prior year.
- Overall revenues were \$24,736,821 which exceeded expenses of \$23,922,442.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the County Office 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 County Office of Education operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office of Education's programs.

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

Government-Wide Statements

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

The two government-wide statements report the County Office of Education's net position and how it has changed. Net position is one way to measure the County Office of Education's financial health or position. Over time, increases or decreases in the County Office of Education's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The County Office of Education's net position was \$3,071,991 at June 30, 2017, as reflected in the table below. Of this amount, negative \$5,812,763 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2017	2016	Net Change
ASSETS			
Current and other assets	\$ 14,335,562	\$ 8,690,463	\$ 5,645,099
Capital assets	10,982,609	11,254,767	(272,158)
Total Assets	25,318,171	19,945,230	5,372,941
DEFERRED OUTFLOWS OF RESOURCES	3,940,459	1,641,734	2,298,725
LIABILITIES			
Current liabilities	2,612,071	2,280,085	331,986
Long-term liabilities	21,280,563	15,408,972	5,871,591
Total Liabilities	23,892,634	17,689,057	6,203,577
DEFERRED INFLOWS OF RESOURCES	2,294,005	1,640,295	653,710
NET POSITION			
Net investment in capital assets	6,732,609	11,254,767	(4,522,158)
Restricted	2,152,145	1,856,220	295,925
Unrestricted	(5,812,763)	(10,853,375)	5,040,612
Total Net Position	\$ 3,071,991	\$ 2,257,612	\$ 814,379

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the County Office of Education as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2017	2016	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 3,029,618	\$ 2,370,552	\$ 659,066
Operating grants and contributions	12,811,747	12,874,400	(62,653)
General revenues			
Property taxes	1,473,780	1,452,236	21,544
Unrestricted federal and state aid	5,635,539	5,913,344	(277,805)
Other	1,786,137	1,534,074	252,063
Total Revenues	24,736,821	24,144,606	592,215
EXPENSES			
Instruction	8,392,841	7,981,430	411,411
Instruction-related services	4,223,340	3,822,381	400,959
Pupil services	1,929,570	1,814,532	115,038
General administration	3,331,573	2,945,506	386,067
Plant services	436,192	552,079	(115,887)
Ancillary and community services	4,819,297	4,548,596	270,701
Other outgo	789,629	1,416,653	(627,024)
Total Expenses	23,922,442	23,081,177	841,265
Change in net position	814,379	1,063,429	(249,050)
Net Position - Beginning	2,257,612	1,194,183	1,063,429
Net Position - Ending	\$ 3,071,991	\$ 2,257,612	\$ 814,379

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The net cost of all our governmental activities this year was \$8,081,077 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$1,473,780 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$12,811,747).

	Net Cost of Services	
	2017	2016
Instruction	\$ 2,688,704	\$ 2,850,341
Instruction-related services	1,903,112	1,569,003
Pupil services	982,452	826,085
General administration	2,000,804	1,718,513
Plant services	81,245	39,622
Ancillary and community services	314,203	303,382
Transfers to other agencies	110,557	529,279
Total Expenses	\$ 8,081,077	\$ 7,836,225

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION’S MAJOR FUNDS

The financial performance of the County Office of Education as a whole is reflected in its governmental funds as well. As the County Office of Education completed this year, its governmental funds reported a combined fund balance of \$11,723,491, which is more than last year’s ending fund balance of \$6,410,378. The County Office of Education’s County School Service Fund had \$818,701 more in operating revenues than expenditures for the year ended June 30, 2017. The County Office of Education’s Child Development Fund had \$91,837 more in operating revenues than expenditures for the year ended June 30, 2017.

CURRENT YEAR BUDGET 2016-17

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the County Office of Education’s financial projections and current budget based on State and local financial information.

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016-17 the County Office of Education had invested \$10,982,609 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2017	2016	Net Change
CAPITAL ASSETS			
Land	\$ 1,175,985	\$ 1,175,985	\$ -
Construction in progress	299,888	-	299,888
Land improvements	818,032	805,757	12,275
Buildings & improvements	14,185,852	14,185,852	-
Furniture & equipment	2,738,563	2,594,201	144,362
Accumulated depreciation	(8,235,711)	(7,507,028)	(728,683)
Total Capital Assets	\$ 10,982,609	\$ 11,254,767	\$ (272,158)

Long-Term Debt

At year-end, the County Office of Education had \$21,280,563 in long-term debt, an increase of \$5,871,591 from last year – as shown in the table below. (More detailed information about the County Office of Education's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2017	2016	Net Change
LONG-TERM LIABILITIES			
Total certificates of participation	\$ 4,250,000	\$ -	\$ 4,250,000
Compensated absences	36,301	61,433	(25,132)
Net OPEB obligation	46,354	84,660	(38,306)
Net pension liability	16,947,908	15,262,879	1,685,029
Total Long-term Liabilities	\$ 21,280,563	\$ 15,408,972	\$ 5,871,591

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21 but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

State revenues are estimated to increase modestly in 2017-18 but there is uncertainty about the State's long-term economic growth. According to the Legislative Analyst's Office, there are concerns about a possible mild recession. In addition, purchasing power has not been restored to pre-2007/08 levels for most school districts as added funding is going to pay for increases in CalPERS and CalSTRS rates increases and rising health care costs.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2017. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2017-18 fiscal year.

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2017**

CONTACTING THE COUNTY OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the County Office of Education's finances and to show the County Office of Education's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Randy Jones at the County Office of Education's Business Office at (530) 934-6575 extension 3050 or mail:

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

GLENN COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 10,989,258
Accounts receivable	3,183,140
Prepaid expenses	163,164
Capital assets, not depreciated	1,475,873
Capital assets, net of accumulated depreciation	9,506,736
Total Assets	25,318,171
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	3,940,459
Total Deferred Outflows of Resources	3,940,459
LIABILITIES	
Deficit cash	246,849
Accrued liabilities	2,082,307
Unearned revenue	282,915
Long-term liabilities, non-current portion	21,280,563
Total Liabilities	23,892,634
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	2,294,005
Total Deferred Inflows of Resources	2,294,005
NET POSITION	
Net investment in capital assets	6,732,609
Restricted:	
Capital projects	142
Educational programs	2,041,571
All others	110,432
Unrestricted	(5,812,763)
Total Net Position	\$ 3,071,991

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

**GLENN COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 8,392,841	\$ 1,390,691	\$ 4,313,446	\$ (2,688,704)
Instruction-related services				
Instructional supervision and administration	3,552,045	660,638	1,606,843	(1,284,564)
Instructional library, media, and technology	224,451	4,063	18,720	(201,668)
School site administration	446,844	-	29,964	(416,880)
Pupil services				
Home-to-school transportation	607,952	-	-	(607,952)
All other pupil services	1,321,618	264,740	682,378	(374,500)
General administration				
Centralized data processing	825,961	-	-	(825,961)
All other general administration	2,505,612	265,613	1,065,156	(1,174,843)
Plant services	436,192	64,292	290,655	(81,245)
Ancillary services	135,317	-	-	(135,317)
Community services	4,683,980	97,391	4,407,703	(178,886)
Other Outgo	789,629	282,190	396,882	(110,557)
Total Governmental Activities	\$ 23,922,442	\$ 3,029,618	\$ 12,811,747	(8,081,077)
General revenues				
Taxes and subventions				
				1,473,780
				5,635,539
				27,750
				438,209
				1,320,178
				8,895,456
CHANGE IN NET POSITION				
				814,379
Net Position - Beginning				
				2,257,612
Net Position - Ending				
				\$ 3,071,991

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

GLENN COUNTY OFFICE OF EDUCATION
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2017

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 10,525,122	\$ 2,000	\$ 462,136	\$ 10,989,258
Accounts receivable	1,850,323	1,198,616	134,201	3,183,140
Due from other funds	579,178	605	106,519	686,302
Prepaid expenditures	133,609	29,360	195	163,164
Total Assets	\$ 13,088,232	\$ 1,230,581	\$ 703,051	\$ 15,021,864
LIABILITIES				
Deficit cash	\$ -	\$ 246,849	\$ -	\$ 246,849
Accrued liabilities	1,879,020	178,483	24,804	2,082,307
Due to other funds	107,124	433,385	145,793	686,302
Unearned revenue	208,083	24,252	50,580	282,915
Total Liabilities	2,194,227	882,969	221,177	3,298,373
FUND BALANCES				
Nonspendable	4,383,250	31,360	195	4,414,805
Restricted	1,354,214	316,252	481,679	2,152,145
Committed	2,385,749	-	-	2,385,749
Assigned	168,860	-	-	168,860
Unassigned	2,601,932	-	-	2,601,932
Total Fund Balances	10,894,005	347,612	481,874	11,723,491
Total Liabilities and Fund Balances	\$ 13,088,232	\$ 1,230,581	\$ 703,051	\$ 15,021,864

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

**GLENN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds \$ 11,723,491

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

Capital assets:

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

Capital assets	\$ 19,218,320	
Accumulated depreciation	<u>(8,235,711)</u>	10,982,609

Long-term liabilities:

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

Total certificates of participation	\$ 4,250,000	
Compensated absences	36,301	
Net OPEB obligation	46,354	
Net pension liability	<u>16,947,908</u>	(21,280,563)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 3,940,459	
Deferred inflows of resources related to pensions	<u>(2,294,005)</u>	1,646,454

Total Net Position - Governmental Activities \$ 3,071,991

**GLENN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 5,536,263	\$ -	\$ 1,426,978	\$ 6,963,241
Federal sources	1,590,425	3,336,437	76,064	5,002,926
Other state sources	4,193,265	1,590,918	901,254	6,685,437
Other local sources	5,273,760	332,376	3,745	5,609,881
Total Revenues	16,593,713	5,259,731	2,408,041	24,261,485
EXPENDITURES				
Current				
Instruction	6,633,723	-	1,086,178	7,719,901
Instruction-related services				
Instructional supervision and administration	2,876,729	233,915	282,450	3,393,094
Instructional library, media, and technology	215,874	-	1,500	217,374
School site administration	419,914	-	-	419,914
Pupil services				
Home-to-school transportation	604,282	-	-	604,282
All other pupil services	1,198,631	-	63,934	1,262,565
General administration				
Centralized data processing	810,884	-	9,100	819,984
All other general administration	1,927,433	433,385	139,300	2,500,118
Plant services	220,443	159,047	32,570	412,060
Facilities acquisition and maintenance	319,670	-	11,282	330,952
Ancillary services	133,896	-	-	133,896
Community services	253,056	4,341,547	-	4,594,603
Transfers to other agencies	160,477	-	629,152	789,629
Total Expenditures	15,775,012	5,167,894	2,255,466	23,198,372
Excess (Deficiency) of Revenues				
Over Expenditures	818,701	91,837	152,575	1,063,113
Other Financing Sources (Uses)				
Transfers in	-	-	141,994	141,994
Other sources	4,250,000	-	-	4,250,000
Transfers out	(141,994)	-	-	(141,994)
Net Financing Sources (Uses)	4,108,006	-	141,994	4,250,000
NET CHANGE IN FUND BALANCE				
	4,926,707	91,837	294,569	5,313,113
Fund Balance - Beginning	5,967,298	255,775	187,305	6,410,378
Fund Balance - Ending	\$ 10,894,005	\$ 347,612	\$ 481,874	\$ 11,723,491

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

**GLENN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Governmental Funds \$ 5,313,113

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 478,629	
Depreciation expense:	(748,024)	(269,395)

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(4,250,000)

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(2,763)

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 amount earned. The difference between compensated absences paid and compensated absences earned, was:

25,132

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

38,306

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

(40,014)

Change in Net Position of Governmental Activities \$ 814,379

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Glenn County Office of Education (the “County 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 accounting policies of the County Office of Education conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

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

B. Component Units

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

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the County Office of Education). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the County Office of Education’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County Office of Education.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. **Basis of Presentation** (*continued*)

Fund Financial Statements. The fund financial statements provide information about the County Office of Education’s funds. Separate statements for each fund category – governmental – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Major Governmental Funds

County School Service Fund: The County School Service Fund is the main operating fund of the County Office of Education. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the County Office of Education’s activities are reported in the County School Service Fund unless there is a compelling reason to account for an activity in another fund. A County Office of Education may have only one County School Service Fund.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the County Office of Education for, or from the operation of, child development services covered under the Child Care and Development Services Act (Education Code Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The County Office of Education maintains the following special revenue funds:

Charter Schools Special Revenue Fund: This fund may be used by authorizing County Offices of Education to account separately for the activities of County Office of Education-operated charter schools that would otherwise be reported in the authorizing County Office of Education’s county school service fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Non-Major Governmental Funds (*continued*)

Special Revenue Funds (*continued*):

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the County Office's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of an LEA may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the LEA (*Education Code Sections 17582 and 17583*).

Forest Reserve Fund: This fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school County Offices of Education and community college County Offices of Education (*Education Code Section 2300; Government Code Section 29484*).

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) 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 (*Education Code Section 17070 et seq.*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. **Basis of Accounting – Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

D. Basis of Accounting – Measurement Focus (*continued*)

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the County Office of Education prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County Office of Education has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the County Office of Education's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The County Office of Education maintains a capitalization threshold of \$5,000. The County Office of Education does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the County Office of Education will sometimes report a separate section for deferred outflows of resources.

This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the County Office of Education will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County Office of Education is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the County School Service Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the County School Service Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The County Office of Education applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The County Office of Education governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the County Office of Education. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard’s primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This standard’s primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 for the year ended June 30, 2017.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard’s primary objective is to address issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The majority of this Statement is effective for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 82 for the year ended June 30, 2017.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds
Investment in county treasury*	\$ 6,674,117
Cash on hand and in banks	1,000
Cash with fiscal agent	4,307,141
Cash in revolving fund	7,000
Total cash and investments	\$ 10,989,258

*Cash and investments is presented net of deficit cash

B. Policies and Practices

The County Office of Education is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The County Office of Education maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Glenn County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the County Office of Education’s investment in the pool is based upon the County Office of Education’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (*continued*)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest County Office of Education funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office of Education manages its exposure to interest rate risk by investing in the County Treasury. The County Office of Education maintains a pooled investment with the County Treasury with an amortized book value of \$6,674,117, which approximated fair value.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2017, the pooled investments in the County Treasury were not rated.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2017

NOTE 2 – CASH AND INVESTMENTS (*continued*)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the County Office of Education's deposits may not be returned to it. The County Office of Education does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the County Office of Education's bank balance was not exposed to custodial credit risk.

G. Fair Value

The County Office of Education categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the County Office of Education's own data. The County Office of Education should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the County Office of Education are not available to other market participants.

Uncategorized - Investments in the Glenn County Treasury Investment Pool are not measured using the input levels above because the County Office of Education's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The County Office of Education's fair value measurements at June 30, 2017 were as follows:

	Uncategorized
Investment in county treasury	\$ 6,674,117
Total fair market value of investments	\$ 6,674,117

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of the following:

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 774,368	\$ 927,673	\$ -	\$ 1,702,041
State Government				
Apportionment	75,730	-	4,794	80,524
Categorical aid	558,500	162,484	122,676	843,660
Lottery	5,667	-	793	6,460
Local Government				
Other local sources	436,058	108,459	5,938	550,455
Total	\$ 1,850,323	\$ 1,198,616	\$ 134,201	\$ 3,183,140

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 01, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,175,985	\$ -	\$ -	\$ 1,175,985
Construction in progress	-	299,888	-	299,888
Total Capital Assets not Being Depreciated	1,175,985	299,888	-	1,475,873
Capital assets being depreciated				
Land improvements	805,757	12,275	-	818,032
Buildings & improvements	14,185,852	-	-	14,185,852
Furniture & equipment	2,594,201	166,466	22,104	2,738,563
Total Capital Assets Being Depreciated	17,585,810	178,741	22,104	17,742,447
Less Accumulated Depreciation				
Land improvements	93,176	32,721	-	125,897
Buildings & improvements	5,472,779	561,522	-	6,034,301
Furniture & equipment	1,941,073	153,781	19,341	2,075,513
Total Accumulated Depreciation	7,507,028	748,024	19,341	8,235,711
Governmental Activities				
Capital Assets, net	\$ 11,254,767	\$ (269,395)	\$ 2,763	\$ 10,982,609

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 4 – CAPITAL ASSETS, continued

Depreciation expense was allocated to the following governmental functions as follows:

Instruction	\$	505,393
Instruction-related services		77,592
Pupil services		8,470
Community services		17,701
General administration		109,335
Plant services		29,533
		<u>748,024</u>

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2017 were as follows:

Due To Other Funds	Due From Other Funds			Total
	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	
County School Services Fund	\$ -	\$ 605	\$ 106,519	\$ 107,124
Child Development Fund	433,385	-	-	433,385
Non-Major Governmental Funds	145,793	-	-	145,793
Total Due From Other Funds	\$ 579,178	\$ 605	\$ 106,519	\$ 686,302

Due from the County School Service Fund to the Charter Schools Special Revenue Fund for the covering of expenses.	\$	106,519
Due from the County School Service Fund to the Child Development Fund for abatement of staff training.		605
Due from the Charter Schools Special Revenue Fund to the County School Service Fund for indirect costs and copier charges.		145,793
Due from the Child Development Fund to the County School Service Fund for indirect costs.		433,385
Total	\$	686,302

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 5 – INTERFUND TRANSACTIONS, continued

B. Operating Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	Interfund Transfers In	
	Non-Major Governmental Funds	Total
Interfund Transfers Out		
County School Service Fund	\$ 141,994	\$ 141,994
Total Interfund Transfers	\$ 141,994	\$ 141,994

Transfer from the County School Services Fund to the Charter Schools Special Reserve Fund for operational support and grant matching funds.	\$	65,957
Transfer from the County School Services Fund to the Deferred Maintenance Fund for future deferred maintenance.		76,037
Total	\$	141,994

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2017 consisted of the following:

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Payroll	\$ 252,219	\$ 27,594	\$ 11,466	\$ 291,279
Construction	3,200	-	-	3,200
Vendors payable	722,855	122,728	11,390	856,973
Other liabilities	900,746	28,161	1,948	930,855
Total	\$ 1,879,020	\$ 178,483	\$ 24,804	\$ 2,082,307

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 11,957	\$ -	\$ -	\$ 11,957
State categorical sources	196,126	24,252	50,580	270,958
Total	\$ 208,083	\$ 24,252	\$ 50,580	\$ 282,915

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2017 consisted of the following:

	Balance July 01, 2016	Additions	Deductions	Balance June 30, 2017	Balance Due In One Year
Governmental Activities					
Certificates of participation	\$ -	\$ 4,250,000	\$ -	\$ 4,250,000	\$ -
Compensated absences	61,433	-	25,132	36,301	-
Net OPEB obligation	84,660	-	38,306	46,354	-
Net pension liability	15,262,879	1,685,029	-	16,947,908	-
Total	\$ 15,408,972	\$ 5,935,029	\$ 63,438	\$ 21,280,563	\$ -

Payments for certificates of participation are typically liquidated in the General Fund.

Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$36,301. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Net Pension Liability

The District's beginning net pension liability was \$15,262,879 and increased by \$1,685,029 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was 16,947,908. See Note 11 for additional information regarding the net pension liability.

C. Certificates of Participation

On April 1, 2017, the District issued Certificates of Participation amounting to \$4,250,000 payable in annual installments from October 13, 2017 through April 13, 2037. The interest rate is 3.40%percent, payable beginning October 13, 2017. The agreement is between the District and the Public Property Financing Corporation of California with City National Bank as the trustee. At June 30, 2017, the principal outstanding was \$4,250,000.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 8 – LONG-TERM DEBT, continued

C. Certificates of Participation, continued

The annual requirements to amortize all certificates of participation outstanding at June 30, 2017 were as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ -	\$ 144,500	\$ 144,500
2019	164,000	144,500	308,500
2020	169,000	138,924	307,924
2021	175,000	133,178	308,178
2022	180,000	127,228	307,228
2023 - 2027	1,000,000	539,784	1,539,784
2028 - 2032	1,177,000	357,986	1,534,986
2033 - 2037	1,385,000	144,228	1,529,228
Total	\$ 4,250,000	\$ 1,730,328	\$ 5,980,328

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2017:

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 4,248,641	\$ 2,000	\$ -	\$ 4,250,641
Prepaid expenditures	133,609	29,360	195	163,164
All others	1,000	-	-	1,000
Total non-spendable	4,383,250	31,360	195	4,414,805
Restricted				
Educational programs	1,354,214	316,252	371,105	2,041,571
Capital projects	-	-	142	142
All others	-	-	110,432	110,432
Total restricted	1,354,214	316,252	481,679	2,152,145
Committed				
Other commitments	2,385,749	-	-	2,385,749
Total committed	2,385,749	-	-	2,385,749
Assigned				
Other assignments	168,860	-	-	168,860
Total assigned	168,860	-	-	168,860
Unassigned				
Reserve for economic uncertainties	1,000,000	-	-	1,000,000
Remaining unassigned	1,601,932	-	-	1,601,932
Total unassigned	2,601,932	-	-	2,601,932
Total	\$ 10,894,005	\$ 347,612	\$ 481,874	\$ 11,723,491

The County Office of Education is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The County's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of County School Service Fund expenditures and other financing uses.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

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

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

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	8
Active plan members	251
Total*	259
Number of participating employers	1

*As of July 1, 2017 actuarial study

B. Funding Policy

The County Office of Education’s agreement with employees is for monthly contributions for members who meet eligibility criteria and who retire during the term of the contract. The contribution requirements of plan members and the County Office of Education are established and may be amended by the County Superintendent. The members receiving benefit contributions vary depending on the level of coverage selected.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The County Office of Education’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County Office of Education’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County Office of Education’s net OPEB obligation to the Plan:

Annual required contribution	\$	320,230
Interest on net OPEB obligation		3,810
Adjustment to annual required contribution		(1,752)
Annual OPEB cost (expense)		<u>322,288</u>
Contributions made		<u>(360,594)</u>
Increase (decrease) in net OPEB obligation		(38,306)
Net OPEB obligation, beginning of the year		84,660
Net OPEB obligation, end of the year	\$	<u>46,354</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2017 and the preceding two years were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 322,288	112%	\$ 46,354
2016	\$ 227,027	116%	\$ 84,660
2015	\$ 225,244	144%	\$ 223,118

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
July 1, 2017	\$ -	\$ 1,922,613	\$ 1,922,613	0%	\$ 11,044,377	17%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

Valuation Date	7/1/2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	30
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	4.5%
Health care trend rate	4.0%
Inflation rate	2.8%

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement 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). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 7,432,965	\$ 1,171,003	\$ 1,330,472	\$ 525,645
PERS Pension	9,514,943	2,769,456	963,533	978,264
Total	\$ 16,947,908	\$ 3,940,459	\$ 2,294,005	\$ 1,503,909

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits 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 Blvd., Sacramento, CA 95826.

Benefits provided

The CalSTRS defined benefit plan has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

CalSTRS 2% at 60

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

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Benefits provided (continued)

CalSTRS 2% at 62

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2017, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2017 was 12.58% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$580,086 for the year ended June 30, 2017.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$279,765 to CalSTRS.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

County Office's proportionate share of the net pension liability	\$ 7,432,965
State's proportionate share of the net pension liability associated with the County Office	4,232,077
Total	\$ 11,665,042

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.009 percent, which was a decrease of 0.0018 percent from its proportion measured as of June 30, 2015.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$525,645. In addition, the District recognized pension expense and revenue of \$755,101 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 590,917	\$ -
Differences between expected and actual experience	-	181,319
Changes in proportion and differences between County Office contributions and proportionate share of contributions	-	1,149,153
County Office contributions subsequent to the measurement date	580,086	-
	<u>\$ 1,171,003</u>	<u>\$ 1,330,472</u>

The \$580,086 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 12,892	\$ 225,926
2019	12,892	225,926
2020	343,502	225,926
2021	221,631	225,926
2022	-	225,927
2023	-	200,841
	<u>\$ 590,917</u>	<u>\$ 1,330,472</u>

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	3.00%
Investment Yield*	7.60%
Wage Inflation	3.75%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2006–June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13%	9.30%
Real Estate	13%	5.20%
Inflation Sensitive	4%	3.80%
Fixed Income	12%	0.30%
Absolute Return	9%	2.90%
Cash/Liquidity	2%	-1.00%
	<u>100%</u>	

* 20-year geometric average

NOTE 11 – PENSION PLANS (*continued*)

California State Teachers’ Retirement System (CalSTRS) (*continued*)

Discount rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
County Office's proportionate share of the net pension liability	\$ 10,697,713	\$ 7,432,965	\$ 4,721,455

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (*continued*)

California Public Employees’ Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits provided

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

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2017 was 13.888% of annual payroll. Contributions to the plan from the District were \$883,809 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$9,514,943 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District’s proportion was 0.048 percent, which was a decrease of 0.0054 percent from its proportion measured as of June 30, 2015.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$978,264. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 1,476,413	\$ -
Differences between expected and actual experience	409,234	-
Changes in assumptions	-	285,867
Changes in proportion and differences between County Office contributions and proportionate share of contributions	-	677,666
County Office contributions subsequent to the measurement date	883,809	-
	<u>\$ 2,769,456</u>	<u>\$ 963,533</u>

The \$883,809 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 396,460	\$ 397,154
2019	382,465	379,376
2020	721,392	187,003
2021	385,330	-
	<u>\$ 1,885,647</u>	<u>\$ 963,533</u>

NOTE 11 – PENSION PLANS (*continued*)

California Public Employees’ Retirement System (CalPERS) (*continued*)

Actuarial assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Yield*	7.65%
Wage Inflation	Varies by Entry Age and Service

* Net of investment expenses, but gross of administrative expenses.

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2017

NOTE 11 – PENSION PLANS (continued)

California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial assumptions (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Debt Securities	20%	0.99%	2.43%
Inflation Assets	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
	100%		

* An expected inflation of 2.5% used for this period
 ** An expected inflation of 3.0% used for this period

Discount rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
County Office's proportionate share of the net pension liability	\$ 14,196,347	\$ 9,514,943	\$ 5,616,752

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The County Office of Education received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2017.

B. Litigation

The County Office of Education is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2017.

C. Construction Commitments

As of June 30, 2017, the County Office of Education had no outstanding commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The County Office of Education participates in three joint powers agreement (JPA) entities, the Golden State Risk Management Authority (GSRMA), the Schools Excess Liability Fund (SELF), and the Tri-Counties School Insurance Group (TCSIG). The County pays an annual premium to each entity for its workers' compensation, property liability coverage and health and welfare benefits. The relationship is such that the JPAs are not component units of the County Office of Education for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the County Office of Education are included in these financial statements. Audited financial statements are available from the respective entities.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**GLENN COUNTY OFFICE OF EDUCATION
COUNTY SCHOOL SERVICE FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 5,262,230	\$ 5,299,116	\$ 5,459,746	\$ 160,630
Federal sources	1,793,740	1,805,993	1,566,893	(239,100)
Other state sources	3,655,276	4,033,707	3,515,541	(518,166)
Other local sources	4,354,177	4,337,531	4,853,939	516,408
Total Revenues	15,065,423	15,476,347	15,396,119	(80,228)
EXPENDITURES				
Certificated salaries	3,832,886	3,792,992	3,684,538	108,454
Classified salaries	4,629,600	4,719,958	4,782,017	(62,059)
Employee benefits	3,614,887	3,626,330	3,361,134	265,196
Books and supplies	477,092	542,943	514,056	28,887
Services and other operating expenditures	2,211,495	2,347,511	2,225,493	122,018
Capital outlay	87,468	878,570	464,483	414,087
Other outgo				
Excluding transfers of indirect costs	94,887	94,887	160,477	(65,590)
Transfers of indirect costs	(609,380)	(617,729)	(650,820)	33,091
Total Expenditures	14,338,935	15,385,462	14,541,378	844,084
Excess (Deficiency) of Revenues Over Expenditures	726,488	90,885	854,741	763,856
Other Financing Sources (Uses)				
Transfers in	14,617	14,617	-	(14,617)
Other sources	-	268,964	4,250,000	3,981,036
Transfers out	(292,102)	(292,102)	(157,366)	134,736
Net Financing Sources (Uses)	(277,485)	(8,521)	4,092,634	4,101,155
NET CHANGE IN FUND BALANCE	449,003	82,364	4,947,375	4,865,011
Fund Balance - Beginning	5,844,331	5,844,331	5,844,331	-
Fund Balance - Ending	\$ 6,293,334	\$ 5,926,695	\$ 10,791,706	\$ 4,865,011

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$279,765 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**GLENN COUNTY OFFICE OF EDUCATION
CHILD DEVELOPMENT FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 3,240,470	\$ 3,274,370	\$ 3,336,437	\$ 62,067
Other state sources	1,466,316	1,523,577	1,590,918	67,341
Other local sources	399,570	399,570	332,376	(67,194)
Total Revenues	5,106,356	5,197,517	5,259,731	62,214
EXPENDITURES				
Certificated salaries	1,078,594	1,078,594	1,119,738	(41,144)
Classified salaries	1,085,897	1,085,897	1,123,843	(37,946)
Employee benefits	720,620	720,620	742,973	(22,353)
Books and supplies	200,058	222,576	200,474	22,102
Services and other operating expenditures	1,581,333	1,643,223	1,547,481	95,742
Other outgo				
Transfers of indirect costs	439,854	446,607	433,385	13,222
Total Expenditures	5,106,356	5,197,517	5,167,894	29,623
NET CHANGE IN FUND BALANCE	-	-	91,837	91,837
Fund Balance - Beginning	255,775	255,775	255,775	-
Fund Balance - Ending	\$ 255,775	\$ 255,775	\$ 347,612	\$ 91,837

See accompanying note to required supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2017	\$ -	\$ 1,922,613	\$ 1,922,613	0%	\$ 11,044,377	17%
March 1, 2015	\$ -	\$ 1,592,922	\$ 1,592,922	0%	\$ 10,841,702	15%
March 1, 2013	\$ -	\$ 1,381,659	\$ 1,381,659	0%	\$ 11,237,216	12%

See accompanying note to required supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office's proportion of the net pension liability	0.009%	0.011%	0.011%
County Office's proportionate share of the net pension liability	\$ 7,432,965	\$ 7,371,492	\$ 6,438,931
State's proportionate share of the net pension liability associated with the County Office	4,232,077	3,898,696	3,870,685
Total	<u>\$ 11,665,042</u>	<u>\$ 11,270,188</u>	<u>\$ 10,309,616</u>
County Office's covered payroll	\$ 4,629,712	\$ 4,690,229	\$ 4,948,231
County Office's proportionate share of the net pension liability as a percentage of its covered payroll	160.5%	157.2%	130.1%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	74.0%	76.5%

See accompanying note to required supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office's proportion of the net pension liability	0.048%	0.054%	0.054%
County Office's proportionate share of the net pension liability	\$ 9,514,943	\$ 7,891,387	\$ 6,161,445
County Office's covered payroll	\$ 6,414,665	\$ 5,824,683	\$ 5,893,471
County Office's proportionate share of the net pension liability as a percentage of its covered payroll	148.3%	135.5%	104.5%
Plan fiduciary net position as a percentage of the total pension liability	73.9%	79.4%	83.4%

See accompanying note to required supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 580,086	\$ 495,812	\$ 444,820
Contributions in relation to the contractually required contribution*	(580,086)	(495,812)	(444,820)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County Office's covered payroll	\$ 4,629,712	\$ 4,690,229	\$ 4,948,231
Contributions as a percentage of covered payroll	12.53%	10.57%	8.99%

*Amounts do not include on behalf contributions

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 883,809	\$ 694,918	\$ 706,701
Contributions in relation to the contractually required contribution	(883,809)	(694,918)	(706,701)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County Office's covered payroll	\$ 6,414,665	\$ 5,824,683	\$ 5,893,471
Contributions as a percentage of covered payroll	13.78%	11.93%	11.99%

See accompanying note to required supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the County School Service Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the County Office of Education’s budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

Schedule of the County Office of Education’s Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education’s proportion (percentage) of the collective net pension liability, the County Office of Education’s proportionate share (amount) of the collective net pension liability, the County Office of Education’s covered payroll, the County Office of Education’s proportionate share (amount) of the collective net pension liability as a percentage of the employer’s covered payroll, and the pension plan’s fiduciary net position as a percentage of the total pension liability.

Schedule of County Office of Education Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education’s statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the County Office of Education’s covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the County Office of Education’s covered payroll.

**GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2017, the County Office of Education incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as shown on the respective schedules.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	\$ 4,719,958	\$ 4,782,017	\$ 62,059
Other outgo			
Excluding transfers of indirect costs	\$ 94,887	\$ 160,477	\$ 65,590
Child Development Fund			
Certificated salaries	\$ 1,078,594	\$ 1,119,738	\$ 41,144
Classified salaries	\$ 1,085,897	\$ 1,123,843	\$ 37,946
Employee benefits	\$ 720,620	\$ 742,973	\$ 22,353

**SUPPLEMENTARY
INFORMATION**

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U. S. DEPARTMENT OF EDUCATION:				
<i>Passed through California Department of Education:</i>				
Title I, Part A				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 54,864	\$ -
Title I, Part D, Local Delinquent Programs	84.010	14357	38,035	-
RSDSS Program Improvement	84.010A	*	32,683	-
Subtotal Title I, Part A			<u>125,582</u>	<u>-</u>
Adult Education				
Adult Education: Adult Basic Education & ESL	84.002A	14508	4,140	-
Adult Education: Adult Secondary Education	84.002A	13978	16,150	-
Adult Education: English Literacy and Civics Education	84.002A	14109	3,242	-
Subtotal Adult Education			<u>23,532</u>	<u>-</u>
Title II, Part A				
Title II, Part A, Administrator Training	84.367	14344	789	-
Title II, Part A, Teacher Quality	84.367	14341	2,594	-
Subtotal Title II, Part A			<u>3,383</u>	<u>-</u>
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334		-
Title III, Immigrant Education Program	84.365	15146	25,655	-
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	763,492	69,490
IDEA Basic Local Assistance Entitlement, Part B, Sec 611, Private Schools ISPs	84.027	10115	1,368	-
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	61,220	-
Part B, Preschool Grants	84.173	13430	39,083	-
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	84,926	-
Preschool Staff Development	84.173A	13431	1,000	-
Subtotal Special Education Cluster			<u>951,089</u>	<u>69,490</u>
IDEA Early Intervention Grants	84.181	23761	34,422	-
Vocational Programs: Voc & Appl Tech Secondary , Sec 131 (Carl Perkins Act)	84.048	14894	700	-
Title X, McKinney-Vento Homeless Assistance	84.196	14332	53,625	-
<i>Passed through California Department of Rehabilitation</i>				
State Vocational Rehabilitation Services Program	84.126A	*	168,488	-
<i>Passed through Tulare County Department of Education:</i>				
Title IV, Part A - California Friday Night Live Mentoring Program	84.186	*	4,451	-
Total U. S. Department of Education			<u>1,390,927</u>	<u>69,490</u>
U. S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through California Department of Education:</i>				
CCFP Claims - Centers and Family Day Care	10.558	13393	128,408	-
Forest Reserve Funds	10.665	10044	6,574	-
Total U. S. Department of Agriculture			<u>134,982</u>	<u>-</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Passed through California Department of Education:</i>				
CCDF Cluster				
Federal General Child Care and Development (CCTR) and CA State Preschool Program	93.575	15136	153,996	-
Federal Family Child Care Homes	93.596	10039	84,562	-
Program for Infant/Toddler Caregiver (PITC)/ Resource & Referral Contracts (CRRP)	93.575	13942	123,805	-
Federal Alternative Payments (Contract Prefix CAPP)	93.596	14153	347,134	-
Federal Local Planning Councils (Contract Prefix CLPC)	93.575	13946	53,117	-
Federal Alternative Payment, Stage 3 (III)	93.596	14135	122,361	-
Subtotal CCDF Cluster			<u>884,975</u>	<u>-</u>
<i>Passed through California Department of Health Services:</i>				
Local Medi-Cal Administrative Activities (MAA)	93.778	10060	121,269	-
Head Start	93.600	10016	2,323,055	-
<i>Passed through California State University Chico Research Foundation:</i>				
Special Programs for the Aging - Title III, Part B - Grants for Service	93.044	*	6,780	-
Special Programs for the Aging - Title III, Part C - Nutrition	93.045	*	123,353	-
Nutrition Services Incentive Program	93.053	*	16,327	-
Total U. S. Department of Health & Human Services			<u>3,475,759</u>	<u>-</u>
U. S. DEPARTMENT OF THE INTERIOR:				
Payments in Lieu of Taxes - Fish & Wildlife	15.226	*	38	-
Total Federal Expenditures			<u>\$ 5,001,706</u>	<u>\$ 69,490</u>

* - Pass-Through Entity Identifying Number not available or not applicable

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2017**

	Second Period Report	Annual Report
COUNTY OPERATED PROGRAMS		
TK/K through Third		
Special Education	12.50	12.28
Extended Year Special Education - Nonpublic Schools	0.35	0.35
Total TK/K through Third	12.85	12.63
Fourth through Sixth		
Regular ADA		
Special Education	9.31	9.39
Extended Year Special Education - Nonpublic Schools	0.49	0.49
Total Fourth through Sixth	9.80	9.88
Seventh through Eighth		
Special Education	6.11	6.32
Total Seventh through Eighth	6.11	6.32
Ninth through Twelfth		
Regular ADA		
Special Education	28.72	28.40
Special Education - Nonpublic Schools	0.96	0.92
Extended Year Special Education - Nonpublic Schools	0.95	0.95
Total Ninth through Twelfth	30.63	30.27
Total County Operated Programs	59.39	59.10
COUNTY OFFICE OF EDUCATION		
Elementary		
Juvenile Halls, Homes and Camp	0.50	0.43
Total Elementary	0.50	0.43
High School		
Juvenile Halls, Homes and Camp	7.72	7.75
Probation Referred, on Probation or Parole, Expelled	7.73	8.16
Total High School	15.45	15.91
Total County Office of Education	15.95	16.34
Adults		
Handicapped Adults	54.73	54.87
Total Adults	54.73	54.87

See accompanying note to supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA), continued
 FOR THE YEAR ENDED JUNE 30, 2017**

	Second Period Report	Annual Report
CHARTER FUNDED COUNTY PROGRAMS - WILLIAM FINCH		
Classroom based	None Offered	None Offered
Non-Classroom based		
TK/K through Third		
County Community Schools	7.25	6.44
Total TK/K through Third	<u>7.25</u>	<u>6.44</u>
Fourth through Sixth		
County Community Schools	12.87	11.30
Total Fourth through Sixth	<u>12.87</u>	<u>11.30</u>
Seventh through Eighth		
County Community Schools	14.88	13.05
Total Seventh through Eighth	<u>14.88</u>	<u>13.05</u>
Ninth through Twelfth		
County Community Schools	51.75	44.89
Total Ninth through Twelfth	<u>51.75</u>	<u>44.89</u>
TOTAL CHARTER SCHOOL	<u>86.75</u>	<u>75.68</u>
	Second Period Report	Annual Report
CHARTER SCHOOL - SUCCESS ONE!		
Classroom based	None Offered	None Offered
Non-Classroom based		
Ninth through Twelfth		
Regular ADA	56.70	55.13
Total Ninth through Twelfth	<u>56.70</u>	<u>55.13</u>
TOTAL CHARTER SCHOOL	<u>56.70</u>	<u>55.13</u>

See accompanying note to supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	2018 (Budget)	2017	2016	2015
County School Services Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 15,714,086	\$ 19,646,119	\$ 16,156,070	\$ 14,794,507
Expenditures And Other Financing Uses	22,365,210	14,698,744	14,650,955	15,059,566
Net change in Fund Balance	\$ (6,651,124)	\$ 4,947,375	\$ 1,505,115	\$ (265,059)
Ending Fund Balance	\$ 4,140,582	\$ 10,791,706	\$ 5,844,331	\$ 4,369,543
Available Reserves*	\$ 3,040,031	\$ 2,601,933	\$ 3,472,441	\$ 1,931,845
Available Reserves As A Percentage Of Outgo	13.59%	17.70%	23.70%	12.83%
Long-term Debt	\$ 21,280,563	\$ 21,280,563	\$ 15,408,972	\$ 12,879,519
Average Daily Attendance At P-2	274	274	232	223

The County School Services Fund balance has increased by \$6,422,163 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$6,651,124. For a County Office this size, the State recommends available reserves of at least 3% of County School Services Fund expenditures, transfers out, and other uses (total outgo).

The County Office has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long term obligations have increased by \$8,401,044 over the past two years.

Average daily attendance has increased by 51 ADA over the past two years. No change in ADA is anticipated during the 2017-18 fiscal year.

*Available reserves consist of all unassigned fund balance within the County School Service Fund.

**The actual amounts reported in this schedule are for the County School Service Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54 as well as STRS on-behalf payments of \$279,765.

**GLENN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	County School Services Fund	Adult Education Fund
June 30, 2017, annual financial and budget report fund balance	\$ 10,791,706	\$ 102,299
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	102,299	(102,299)
Net adjustments and reclassifications	102,299	(102,299)
June 30, 2017, audited financial statement fund balance	<u>\$ 10,894,005</u>	<u>\$ -</u>

GLENN COUNTY OFFICE OF EDUCATION
 SCHEDULE OF CHARTER SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2017

Charter School	Status	Included in Audit Report
William Finch	Active	Yes
Success One!	Active	Yes
Walden Academy	Active	No
Conservation Corps of Long Beach Gateway Cities	Active	No

**GLENN COUNTY OFFICE OF EDUCATION
 COMBINING BALANCE SHEET
 JUNE 30, 2017**

	Charter Schools Fund	Special Education Pass-Through Fund	Deferred Maintenance Fund	Forest Reserve Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS						
Cash and investments	\$ 337,338	\$ -	\$ 110,432	\$ 14,224	\$ 142	\$ 462,136
Accounts receivable	129,064	5,090	-	47	-	134,201
Due from other funds	106,519	-	-	-	-	106,519
Prepaid expenditures	195	-	-	-	-	195
Total Assets	\$ 573,116	\$ 5,090	\$ 110,432	\$ 14,271	\$ 142	\$ 703,051
LIABILITIES						
Accrued liabilities	\$ 24,804	\$ -	\$ -	\$ -	\$ -	\$ 24,804
Due to other funds	145,793	-	-	-	-	145,793
Unearned revenue	50,580	-	-	-	-	50,580
Total Liabilities	221,177	-	-	-	-	221,177
FUND BALANCES						
Non-spendable	195	-	-	-	-	195
Restricted	351,744	5,090	110,432	14,271	142	481,679
Total Fund Balances	351,939	5,090	110,432	14,271	142	481,874
Total Liabilities and Fund Balance	\$ 573,116	\$ 5,090	\$ 110,432	\$ 14,271	\$ 142	\$ 703,051

See accompanying note to supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 FOR THE YEAR ENDED JUNE 30, 2017**

	Charter Schools	Special Education	Deferred	Forest Reserve	County School	Non-Major
	Fund	Pass-Through	Maintenance	Fund	Facilities Fund	Governmental
	Fund	Fund	Fund	Fund	Fund	Funds
REVENUES						
LCFF sources	\$ 1,426,978	\$ -	\$ -	\$ -	\$ -	\$ 1,426,978
Federal sources	-	69,490	-	6,574	-	76,064
Other state sources	336,502	564,752	-	-	-	901,254
Other local sources	3,675	-	-	70	-	3,745
Total Revenues	1,767,155	634,242	-	6,644	-	2,408,041
EXPENDITURES						
Current						
Instruction	1,086,178	-	-	-	-	1,086,178
Instruction-related services						
Instructional supervision and administration	282,450	-	-	-	-	282,450
Instructional library, media, and technology	1,500	-	-	-	-	1,500
Pupil services						
All other pupil services	63,934	-	-	-	-	63,934
General administration						
Centralized data processing	9,100	-	-	-	-	9,100
All other general administration	139,300	-	-	-	-	139,300
Plant services	2,724	-	29,846	-	-	32,570
Facilities acquisition and maintenance	-	-	11,282	-	-	11,282
Transfers to other agencies	-	629,152	-	-	-	629,152
Total Expenditures	1,585,186	629,152	41,128	-	-	2,255,466
Excess (Deficiency) of Revenues						
Over Expenditures	181,969	5,090	(41,128)	6,644	-	152,575
Other Financing Sources (Uses)						
Transfers in	65,957	-	76,037	-	-	141,994
Net Financing Sources (Uses)	65,957	-	76,037	-	-	141,994
NET CHANGE IN FUND BALANCE	247,926	5,090	34,909	6,644	-	294,569
Fund Balance - Beginning	104,013	-	75,523	7,627	142	187,305
Fund Balance - Ending	\$ 351,939	\$ 5,090	\$ 110,432	\$ 14,271	\$ 142	\$ 481,874

See accompanying note to supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2017**

The Glenn County Office of Education provides service to three elementary school districts and five unified school districts.

GOVERNING BOARD		
Member	Office	Term Expires
Judy Holzapfel	President	2020
Janice Cannon	Vice-President	2018
Kathy Perez	Member	2018
Whick Smock	Member	2020
Adele Foley	Member	2020

COUNTY OFFICE OF EDUCATION ADMINISTRATORS

Tracey Quarne
Superintendent

Shirley Diaz
Assistant Superintendent of Educational Services

Randy Jones
Assistant Superintendent of Business Services

Vicki Shadd
Assistant Superintendent of Student Services, SELPA Director

Judy Corum
Director of Human Resources

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2017

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County Office of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2017 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2017.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 5,002,926
Senior Nutrition Program	93.044, 93.045, & 93.053	<u>(1,220)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 5,001,706</u>

The County Office of Education passes-through certain Federal assistance received to other governments (subrecipients). The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County Office of Education is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

The District has not elected to use the 10 percent de minimis indirect cost rate.

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	\$ 69,490

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2017

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Average Daily Attendance (ADA)

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

William Finch Charter School is a solely non-classroom based charter school in fiscal year 2016-17. Thus, no classroom based ADA is reported in fiscal year 2016-17.

Success One! Charter School is a solely non-classroom based charter school in fiscal year 2016-17. Thus, no classroom based ADA is reported in fiscal year 2016-17.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the County Office of Education, and displays information for each Charter School on whether or not the Charter School is included in the County Office of Education audit.

Combining Statements – Non-Major Funds

These statements provide information on the County Office of Education's non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the County Office of Education's boundaries and schools operated, members of the governing board, and members of the administration.

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Glenn County Office of Education
Willows, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Glenn County Office of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Glenn County Office of Education's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Glenn County Office of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Glenn County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Glenn County Office of Education's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Christy White Associates

San Diego, California
December 11, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Independent Auditors' Report

Governing Board
Glenn County Office of Education
Willows, California

Report on Compliance for Each Major Federal Program

We have audited Glenn County Office of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Glenn County Office of Education's major federal programs for the year ended June 30, 2017. Glenn County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Glenn County Office of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Glenn County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Glenn County Office of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Glenn County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Glenn County Office of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Glenn County Office of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Glenn County Office of Education's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
December 11, 2017

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Christy White, CPA

Michael Ash, CPA

Heather Rubio

Governing Board
Glenn County Office of Education
Willows, California

Report on State Compliance

We have audited Glenn County Office of Education's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, , prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Glenn County Office of Education's state programs for the fiscal year ended June 30, 2017, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Glenn County Office of Education's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Glenn County Office of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Glenn County Office of Education's compliance with those requirements.

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Opinion on State Compliance

In our opinion, Glenn County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2017.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Glenn County Office of Education's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No

(Continued on the next page)

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Attendance; for charter schools	Yes
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Yes
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for CA Clean Energy Jobs Act as there were no expenditures for the 2016-17 year.

Christy White Associates

San Diego, California
December 11, 2017

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**GLENN COUNTY OFFICE OF EDUCATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>93.575 & 93.596</u>	<u>Child Development Cluster</u>
<u>84.027, 84.173, 84.027A, 84.173A</u>	<u>IDEA Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

GLENN COUNTY OFFICE OF EDUCATION
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

There were no financial statement findings in fiscal year 2016-17.

GLENN COUNTY OFFICE OF EDUCATION
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs in fiscal year 2016-17.

GLENN COUNTY OFFICE OF EDUCATION
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

FIVE DIGIT CODE

10000
40000
42000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings or questioned costs in fiscal year 2016-17.

GLENN COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no findings in fiscal year 2015-16.