

GLENN COUNTY OFFICE OF EDUCATION

AUDIT REPORT

JUNE 30, 2016

San Diego

Los Angeles

San Francisco
Bay Area

christy  white
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

**GLENN COUNTY OFFICE OF EDUCATION
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FOR THE YEAR ENDED JUNE 30, 2016**

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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, 2016, 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.

Christy White, CPA

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, 2016, 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 13, 2016 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 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 13, 2016

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

INTRODUCTION

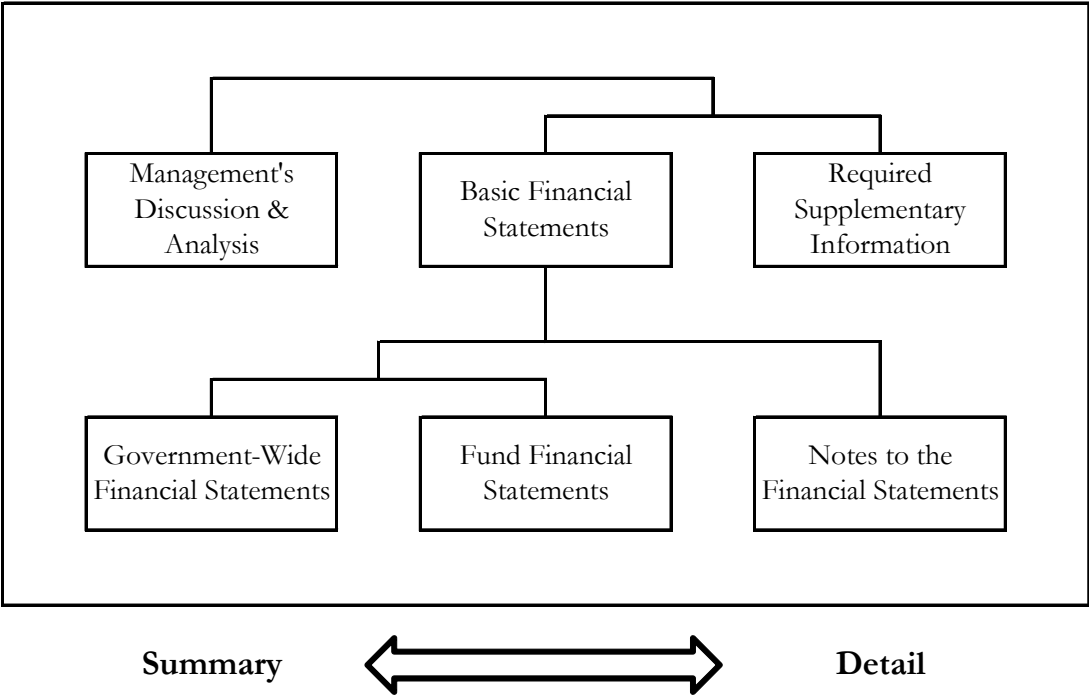
Our discussion and analysis of Glenn County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the County Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was \$2,257,612 at June 30, 2016. This was an increase of \$1,063,429 from the prior year.
- Overall revenues were \$24,144,606 which exceeded expenses of \$23,081,177.

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, 2016**

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, 2016**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The County Office of Education's combined net position was \$2,257,612 at June 30, 2016, as reflected in the table below. Of this amount, (\$10,853,375) million 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		
	2016	2015	Net Change
ASSETS			
Current and other assets	\$ 8,690,463	\$ 7,634,112	\$ 1,056,351
Capital assets	11,254,767	11,885,753	(630,986)
Total Assets	19,945,230	19,519,865	425,365
DEFERRED OUTFLOWS OF RESOURCES	1,641,734	1,151,521	490,213
LIABILITIES			
Current liabilities	2,280,085	2,848,599	(568,514)
Long-term liabilities	15,408,972	12,879,519	2,529,453
Total Liabilities	17,689,057	15,728,118	1,960,939
DEFERRED INFLOWS OF RESOURCES	1,640,295	3,749,085	(2,108,790)
NET POSITION			
Net investment in capital assets	11,254,767	11,885,753	(630,986)
Restricted	1,856,220	1,730,224	125,996
Unrestricted	(10,853,375)	(12,421,794)	1,568,419
Total Net Position	\$ 2,257,612	\$ 1,194,183	\$ 1,063,429

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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 them slightly, so you can see our total revenues, expenses, and special items for the year.

	Governmental Activities		
	2016	2015	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 2,370,552	\$ 2,658,925	\$ (288,373)
Operating grants and contributions	12,874,400	11,607,542	1,266,858
Capital grants and contributions	-	149	(149)
General revenues			
Property taxes	1,452,236	1,313,797	138,439
Unrestricted federal and state aid	5,913,344	5,342,509	570,835
Other	1,534,074	1,428,442	105,632
Total Revenues	24,144,606	22,351,364	1,793,242
EXPENSES			
Instruction	7,981,430	8,119,170	(137,740)
Instruction-related services	3,822,381	3,902,932	(80,551)
Pupil services	1,814,532	1,798,347	16,185
General administration	2,945,506	2,834,389	111,117
Plant services	552,079	291,356	260,723
Ancillary and community services	4,548,596	4,211,852	336,744
Other Outgo	1,416,653	1,753,056	(336,403)
Total Expenses	23,081,177	22,911,102	170,075
Change in net position	1,063,429	(559,738)	1,623,167
Net Position - Beginning*	1,194,183	1,753,921	(559,738)
Net Position - Ending	\$ 2,257,612	\$ 1,194,183	\$ 1,063,429

* Beginning Net Position was restated for the 2015 year only

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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 \$7,836,225 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$1,452,236 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions (\$12,874,400).

	Net Cost of Services	
	2016	2015
Instruction	\$ 2,850,341	\$ 3,491,988
Instruction-related services	1,569,003	1,796,497
Pupil services	826,085	522,740
General administration	1,718,513	1,676,625
Plant services	39,622	18,431
Ancillary and community services	303,382	237,347
Transfers to other agencies	529,279	900,858
Total Expenses	\$ 7,836,225	\$ 8,644,486

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 \$6,410,378, which is more than last year's ending fund balance of \$4,785,513. The County Office of Education's County School Service Fund had \$1,821,898 more in operating revenues than expenditures for the year ended June 30, 2016. The County Office of Education's Child Development Fund had \$45,023 more in operating revenues than expenditures for the year ended June 30, 2016.

CURRENT YEAR BUDGET 2015-16

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, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the County Office of Education had invested \$11,254,767 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2016	2015	Net Change
CAPITAL ASSETS			
Land	\$ 1,175,985	\$ 1,175,985	\$ -
Construction in progress	-	407,316	(407,316)
Land improvements	805,757	368,179	437,578
Buildings & improvements	14,185,852	14,185,852	-
Furniture & equipment	2,594,201	2,511,305	82,896
Accumulated depreciation	(7,507,028)	(6,762,884)	(744,144)
Total Capital Assets	\$ 11,254,767	\$ 11,885,753	\$ (630,986)

Long-Term Debt

At year-end, the County Office of Education had \$15,408,972 in long-term debt, an increase of \$2,529,453 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		
	2016	2015	Net Change
LONG-TERM LIABILITIES			
Compensated absences	\$ 61,433	\$ 56,025	\$ 5,408
Net OPEB obligation	84,660	223,118	(138,458)
Net pension liability	15,262,879	12,600,376	2,662,503
Total Long-term Liabilities	\$ 15,408,972	\$ 12,879,519	\$ 2,529,453

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The County Office 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 County Office 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.

The State's economy is expected to grow faster than the national economy with unemployment dropping. Personal income is expected to grow 3.6%; according to the UCLA Anderson Economic Forecast, April 2016. The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and while positive remains uncertain.

The County Office participates in state employee pensions plans, PERS and STRS, and both are underfunded. The County Office's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2016. The amount of the liability is material to the financial position of the County Office. 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 County Office to make adjustments in fixed operating costs.

All of these factors were considered in preparing the County Office's budget for the 2016-17 fiscal year.

**GLENN COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 5,103,320
Accounts receivable	3,430,536
Prepaid expenses	156,607
Capital assets, not depreciated	1,175,985
Capital assets, net of accumulated depreciation	10,078,782
Total Assets	19,945,230
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,641,734
Total Deferred Outflows of Resources	1,641,734
LIABILITIES	
Deficit cash	455,549
Accrued liabilities	1,736,163
Unearned revenue	88,373
Long-term liabilities, non-current portion	15,408,972
Total Liabilities	17,689,057
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	1,640,295
Total Deferred Inflows of Resources	1,640,295
NET POSITION	
Net investment in capital assets	11,254,767
Restricted:	
Capital projects	142
Educational programs	1,856,078
Unrestricted	(10,853,375)
Total Net Position	\$ 2,257,612

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, 2016

Function/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 7,981,430	\$ 1,067,955	\$ 4,063,134	\$	(2,850,341)
Instruction-related services					
Instructional supervision and administration	3,216,887	455,685	1,753,479		(1,007,723)
Instructional library, media, and technology	195,212	1,606	17,022		(176,584)
School site administration	410,282	1,747	23,839		(384,696)
Pupil services					
Home-to-school transportation	532,293	3,106	4,114		(525,073)
All other pupil services	1,282,239	254,952	726,275		(301,012)
General administration					
Centralized data processing	771,190	-	-		(771,190)
All other general administration	2,174,316	195,997	1,030,996		(947,323)
Plant services	552,079	53,628	458,829		(39,622)
Ancillary services	132,753	-	-		(132,753)
Community services	4,415,843	70,155	4,175,059		(170,629)
Other Outgo	1,416,653	265,721	621,653		(529,279)
Total Governmental Activities	\$ 23,081,177	\$ 2,370,552	\$ 12,874,400		(7,836,225)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					
					1,452,236
Federal and state aid not restricted for specific purposes					
					5,913,344
Interest and investment earnings					
					11,483
Interagency revenues					
					422,738
Miscellaneous					
					1,099,853
Subtotal, General Revenue					
					8,899,654
CHANGE IN NET POSITION					
					1,063,429
Net Position - Beginning					
					1,194,183
Net Position - Ending					
					\$ 2,257,612

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

GLENN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,981,707	\$ 34,607	\$ 87,006	\$ 5,103,320
Accounts receivable	2,150,040	908,946	371,550	3,430,536
Due from other funds	503,505	31,552	325,265	860,322
Prepaid expenditures	142,157	14,450	-	156,607
Total Assets	\$ 7,777,409	\$ 989,555	\$ 783,821	\$ 9,550,785
LIABILITIES				
Deficit cash	\$ -	\$ -	\$ 455,549	\$ 455,549
Accrued liabilities	1,393,977	323,378	18,808	1,736,163
Due to other funds	352,891	399,318	108,113	860,322
Unearned revenue	63,243	11,084	14,046	88,373
Total Liabilities	1,810,111	733,780	596,516	3,140,407
FUND BALANCES				
Nonspendable	148,157	16,450	-	164,607
Restricted	1,694,574	77,079	84,567	1,856,220
Committed	-	-	75,523	75,523
Assigned	652,125	162,246	27,215	841,586
Unassigned	3,472,442	-	-	3,472,442
Total Fund Balances	5,967,298	255,775	187,305	6,410,378
Total Liabilities and Fund Balances	\$ 7,777,409	\$ 989,555	\$ 783,821	\$ 9,550,785

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, 2016**

Total Fund Balance - Governmental Funds \$ 6,410,378

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	\$ 18,761,795	
Accumulated depreciation	(7,507,028)	11,254,767
	<u> </u>	

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:

Compensated absences	\$ 61,433	
Net OPEB obligation	84,660	
Net pension liability	15,262,879	(15,408,972)
	<u> </u>	

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	\$ 1,641,734	
Deferred inflows of resources related to pensions	(1,640,295)	1,439
	<u> </u>	

Total Net Position - Governmental Activities \$ 2,257,612

GLENN COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 5,474,743	\$ -	\$ 932,873	\$ 6,407,616
Federal sources	2,049,373	3,064,909	402,949	5,517,231
Other state sources	4,964,570	1,428,678	717,002	7,110,250
Other local sources	4,804,115	342,077	15,311	5,161,503
Total Revenues	17,292,801	4,835,664	2,068,135	24,196,600
EXPENDITURES				
Current				
Instruction	6,652,668	-	868,530	7,521,198
Instruction-related services				
Instructional supervision and administration	2,746,050	170,251	238,379	3,154,680
Instructional library, media, and technology	194,287	-	1,500	195,787
School site administration	412,906	-	-	412,906
Pupil services				
Home-to-school transportation	558,853	-	-	558,853
All other pupil services	1,239,556	-	40,981	1,280,537
General administration				
Centralized data processing	823,358	-	9,100	832,458
All other general administration	1,600,036	381,344	104,155	2,085,535
Plant services	282,604	157,708	6,205	446,517
Facilities acquisition and maintenance	76,376	-	32,681	109,057
Ancillary services	133,942	-	-	133,942
Community services	342,274	4,081,338	-	4,423,612
Transfers to other agencies	407,993	-	1,008,660	1,416,653
Total Expenditures	15,470,903	4,790,641	2,310,191	22,571,735
Excess (Deficiency) of Revenues Over Expenditures	1,821,898	45,023	(242,056)	1,624,865
Other Financing Sources (Uses)				
Transfers in	17,216	-	302,212	319,428
Transfers out	(298,286)	-	(21,142)	(319,428)
Net Financing Sources (Uses)	(281,070)	-	281,070	-
NET CHANGE IN FUND BALANCE	1,540,828	45,023	39,014	1,624,865
Fund Balance - Beginning	4,426,470	210,752	148,291	4,785,513
Fund Balance - Ending	\$ 5,967,298	\$ 255,775	\$ 187,305	\$ 6,410,378

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, 2016**

Net Change in Fund Balances - Governmental Funds \$ 1,624,865

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:	\$ 113,158	
Depreciation expense:	<u>(744,144)</u>	(630,986)

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:

(5,408)

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:

138,458

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:

(63,500)

Change in Net Position of Governmental Activities	<u>\$ 1,063,429</u>
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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.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

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. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements. The Statement is effective for periods beginning after June 15, 2015. The County Office of Education has implemented GASB Statement No. 72 for the year ended June 30, 2016.

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statements 67 and 68. A portion of this Statement is effective for periods beginning after June 15, 2015. The County Office of Education has implemented GASB Statement No. 73 for the year ended June 30, 2016.

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 County Office of Education 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 County Office of Education has not yet determined the impact on the financial statements.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Total Governmental Activities
Investment in county treasury*	\$ 5,095,320
Cash on hand and in banks	1,000
Cash in revolving fund	7,000
Total cash and investments	\$ 5,103,320

*Cash footnote is 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, 2016

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 \$5,095,320, 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, 2016, the pooled investments in the County Treasury were not rated.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2016

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, 2016, 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, 2016 were as follows:

	Uncategorized
Investment in county treasury	\$ 5,095,320
Total fair market value of investments	\$ 5,095,320

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 536,318	\$ 648,383	\$ 4,412	\$ 1,189,113
State Government				
Apportionment	-	-	350,775	350,775
Categorical aid	428,250	126,350	5,119	559,719
Lottery	8,179	-	10,360	18,539
Local Government				
Other local sources	1,177,293	134,213	884	1,312,390
Total	\$ 2,150,040	\$ 908,946	\$ 371,550	\$ 3,430,536

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,175,985	\$ -	\$ -	\$ 1,175,985
Construction in progress	407,316	10,901	418,217	-
Total Capital Assets not Being Depreciated	1,583,301	10,901	418,217	1,175,985
Capital assets being depreciated				
Land improvements	368,179	437,578	-	805,757
Buildings & improvements	14,185,852	-	-	14,185,852
Furniture & equipment	2,511,305	82,896	-	2,594,201
Total Capital Assets Being Depreciated	17,065,336	520,474	-	17,585,810
Less Accumulated Depreciation				
Land improvements	60,946	32,230	-	93,176
Buildings & improvements	4,911,257	561,522	-	5,472,779
Furniture & equipment	1,790,681	150,392	-	1,941,073
Total Accumulated Depreciation	6,762,884	744,144	-	7,507,028
Governmental Activities				
Capital Assets, net	\$ 11,885,753	\$ (212,769)	\$ 418,217	\$ 11,254,767

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 4 – CAPITAL ASSETS, continued

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

Instruction	505,393
Instruction-related services	80,356
Pupil Services	8,470
Community services	17,702
General administration	104,068
Plant services	28,155
	\$ 744,144

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2016 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	\$ -	\$ 31,552	\$ 321,339	\$ 352,891
Child Development Fund	399,318	-	-	399,318
Non-Major Governmental Funds	104,187	-	3,926	108,113
Total Due From Other Funds	\$ 503,505	\$ 31,552	\$ 325,265	\$ 860,322

Due from the County School Services Fund to the Charter Schools Fund for for state revenue and year end contributions	\$ 321,339
Due from the County School Services Fund to the Child Development Fund or payment of retirees OPEB	31,552
Due from the Charter Schools Fund to the County School Services Fund for for indirect costs	104,187
Due from the Child Development Fund to the County School Services Fund for for indirect costs	399,318
Due from the Deferred Maintenance Fund to the County School Facilities Fund to correct prior year transfer to close fund	3,926
Total	\$ 860,322

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 5 – INTERFUND TRANSACTIONS, continued

B. Operating Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

Interfund Transfers Out	Interfund Transfers In		
	County School Services Fund	Non-Major Governmental Funds	Total
County School Services Fund	\$ -	\$ 298,286	\$ 298,286
Non-Major Governmental Funds	17,216	3,926	17,216
Total Interfund Transfers	\$ 17,216	\$ 298,286	\$ 319,428

Transfer from the County School Services Fund to the Charter Schools Fund for operational support and CCPT grant matching funds	\$	247,169
Transfer from the County School Services Fund to the Deferred Maintenance Fund for future deferred maintenance		51,117
Transfer from the Deferred Maintenance Fund to the County School Facilities Fund to correct prior year transfer to clear fund		3,926
Transfer from the Forest Reserve Fund to the County School Services Fund for forest reserve revenue		17,216
Total	\$	319,428

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016 consisted of the following:

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Payroll	\$ 260,854	\$ 106,446	\$ -	\$ 367,300
Vendors payable	1,132,503	215,948	18,611	1,367,062
Other liabilities	620	984	197	1,801
Total	\$ 1,393,977	\$ 323,378	\$ 18,808	\$ 1,736,163

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 16,285	\$ -	\$ -	\$ 16,285
State categorical sources	46,958	11,084	14,046	72,088
Total	\$ 63,243	\$ 11,084	\$ 14,046	\$ 88,373

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2016 consisted of the following:

	Balance July 01, 2015	Additions	Deductions	Balance June 30, 2016	Balance Due In One Year
Governmental Activities					
Compensated absences	\$ 56,025	\$ 5,408	\$ -	\$ 61,433	\$ -
Net OPEB obligation	223,118	-	138,458	84,660	-
Net pension liability	12,600,376	2,662,503	-	15,262,879	-
Total	\$ 12,879,519	\$ 2,667,911	\$ 138,458	\$ 15,408,972	\$ -

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, 2016 amounted to \$61,433. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Net Pension Liability

The County Office of Education’s beginning net pension liability was \$12,600,376 and increased by \$2,662,503 during the year ended June 30, 2016. The ending net pension liability at June 30, 2016 was \$15,262,879. See Note 11 for additional information regarding the net pension liability.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2016:

	County School Services Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 5,000	\$ 2,000	\$ -	\$ 7,000
Prepaid expenditures	142,157	14,450	-	156,607
All others	1,000	-	-	1,000
Total non-spendable	<u>148,157</u>	<u>16,450</u>	<u>-</u>	<u>164,607</u>
Restricted				
Educational programs	1,694,574	77,079	84,425	1,856,078
Capital projects	-	-	142	142
Total restricted	<u>1,694,574</u>	<u>77,079</u>	<u>84,567</u>	<u>1,856,220</u>
Committed				
Other commitments	-	-	75,523	75,523
Total committed	<u>-</u>	<u>-</u>	<u>75,523</u>	<u>75,523</u>
Assigned				
Other assignments	652,125	162,246	27,215	841,586
Total assigned	<u>652,125</u>	<u>162,246</u>	<u>27,215</u>	<u>841,586</u>
Unassigned				
Reserve for economic uncertainties	1,000,000	-	-	1,000,000
Remaining unassigned	2,472,442	-	-	2,472,442
Total unassigned	<u>3,472,442</u>	<u>-</u>	<u>-</u>	<u>3,472,442</u>
Total	<u>\$ 5,967,298</u>	<u>\$ 255,775</u>	<u>\$ 187,305</u>	<u>\$ 6,410,378</u>

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, 2016

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	219
Total*	<u>227</u>

Number of participating employers	1
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*As of March 1, 2015 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, 2016

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	\$ 231,005
Interest on net OPEB obligation	8,925
Adjustment to annual required contribution	(12,903)
Annual OPEB cost (expense)	<u>227,027</u>
Contributions made	<u>(365,485)</u>
Increase (decrease) in net OPEB obligation	(138,458)
Net OPEB obligation, beginning of the year	223,118
Net OPEB obligation, end of the year	<u>\$ 84,660</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, 2016 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>
2016	\$ 227,027	161%	\$ 84,660
2015	\$ 225,244	144%	\$ 223,118
2014	\$ 239,914	123%	\$ 323,142

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

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
March 1, 2015	\$ -	\$ 1,592,922	\$ 1,592,922	0%	\$ 10,841,702	15%

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	3/1/2015
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level-dollar, open period
Remaining Amortization Period	29
Asset Valuation	\$ -
Actuarial Assumptions:	
Investment rate of return	4.0%
Discount rate	4.0%
Health care trend rate	5.0% - 8.0%
Inflation rate	3.0%

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

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 County Office of Education 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:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 7,371,492	\$ 495,812	\$ 771,195	\$ 563,001
PERS Pension	7,891,387	1,145,922	869,100	691,229
Total	<u>\$ 15,262,879</u>	<u>\$ 1,641,734</u>	<u>\$ 1,640,295</u>	<u>\$ 1,254,230</u>

California State Teachers' Retirement System (CalSTRS)

Plan Description

The County Office of Education contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement 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, 2016

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 9.20% and 8.56% of their salary for fiscal year 2016, respectively, and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the County Office of Education were \$495,812 for the year ended June 30, 2016.

On-Behalf Payments

The County Office of Education 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 \$353,911 to CalSTRS (7.126% of 2013-14 creditable compensation subject to CalSTRS).

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

At June 30, 2016, the County Office of Education 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 County Office of Education 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 County Office of Education were as follows:

County Office of Education's proportionate share of the net pension liability	\$ 7,371,492
State's proportionate share of the net pension liability associated with the County Office of Education	3,898,696
Total	\$ 11,270,188

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

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)

The net pension liability was measured as of June 30, 2015, 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, 2014, and rolling forward the total pension liability to June 30, 2015. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’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, 2015, the County Office of Education’s proportion was 0.011 percent, which did not change from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County Office of Education recognized pension expense of \$563,001. In addition, the County Office of Education recognized pension expense and revenue of \$301,917 for support provided by the State. At June 30, 2016, the County Office of Education 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	\$ -	\$ 600,896
Differences between expected and actual experience	-	123,180
Changes in proportion and differences between County Office of Education contributions and proportionate share of contributions	-	47,119
County Office of Education contributions subsequent to the measurement date	495,812	-
	<u>\$ 495,812</u>	<u>\$ 771,195</u>

The \$495,812 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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 Inflows of Resources</u>
2017	\$ 178,607
2018	178,607
2019	178,607
2020	178,607
2021	28,383
2022	28,384
	<u>\$ 771,195</u>

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, *continued*
 JUNE 30, 2016

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, 2014, and rolling forward the total pension liability to June 30, 2015 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, 2014 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 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return 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%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%
	<u>100%</u>	

* 10-year geometric average

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

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 County Office of Education’s proportionate share of the net pension liability to changes in the discount rate

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the County Office of Education’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 of Education's proportionate share of the net pension liability	\$ 11,130,378	\$ 7,371,492	\$ 4,247,553

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 County Office of Education contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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 County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the County Office of Education were \$694,918 for the year ended June 30, 2016.

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

At June 30, 2016, the County Office of Education reported a liability of \$7,891,387 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, and rolling forward the total pension liability to June 30, 2015. The County Office of Education's proportion of the net pension liability was based on a projection of the County Office of Education'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, 2015, the County Office of Education's proportion was 0.054 percent, which did not change from its proportion measured as of June 30, 2014.

GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2016

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, 2016, the County Office of Education recognized pension expense of \$691,229. At June 30, 2016, the County Office of Education 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	\$ -	\$ 270,208
Differences between expected and actual experience	451,004	-
Changes in assumptions	-	484,869
Changes in proportion and differences between County Office of Education contributions and proportionate share of contributions	-	114,023
County Office of Education contributions subsequent to the measurement date	694,918	-
	<u>\$ 1,145,922</u>	<u>\$ 869,100</u>

The \$694,918 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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>
2017	\$ 155,519	\$ 273,667
2018	155,519	273,667
2019	139,966	254,214
2020	-	67,552
	<u>\$ 451,004</u>	<u>\$ 869,100</u>

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

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, 2014, and rolling forward the total pension liability to June 30, 2015 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, 2014, 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, 2016

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 Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	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	2%	-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 County Office of Education’s proportionate share of the net pension liability to changes in the discount rate

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the County Office of Education’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 of Education's proportionate share of the net pension liability	\$ 12,843,890	\$ 7,891,387	\$ 3,773,050

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, 2016.

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, 2016.

C. Construction Commitments

As of June 30, 2016, 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, 2016**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 5,094,916	\$ 5,161,686	\$ 5,474,743	\$ 313,057
Federal sources	1,868,748	1,850,764	2,003,475	152,711
Other state sources	3,944,281	3,727,614	4,126,337	398,723
Other local sources	4,413,235	4,569,179	4,534,299	(34,880)
Total Revenues	15,321,180	15,309,243	16,138,854	829,611
EXPENDITURES				
Certificated salaries	4,035,266	4,055,712	3,979,979	75,733
Classified salaries	4,494,370	4,513,359	4,580,769	(67,410)
Employee benefits	3,404,124	3,420,991	3,141,217	279,774
Books and supplies	671,727	668,431	625,438	42,993
Services and other operating expenditures	2,495,187	2,362,264	1,986,660	375,604
Capital outlay	102,468	377,308	161,067	216,241
Other outgo				
Excluding transfers of indirect costs	408,735	408,735	407,993	742
Transfers of indirect costs	(506,183)	(515,834)	(538,214)	22,380
Total Expenditures	15,105,694	15,290,966	14,344,909	946,057
Excess (Deficiency) of Revenues				
Over Expenditures	215,486	18,277	1,793,945	1,775,668
Other Financing Sources (Uses)				
Transfers in	14,617	14,617	17,216	2,599
Transfers out	(83,037)	(109,037)	(306,046)	(197,009)
Net Financing Sources (Uses)	(68,420)	(94,420)	(288,830)	(194,410)
NET CHANGE IN FUND BALANCE	147,066	(76,143)	1,505,115	1,581,258
Fund Balance - Beginning	4,339,216	4,339,216	4,339,216	-
Fund Balance - Ending	\$ 4,486,282	\$ 4,263,073	\$ 5,844,331	\$ 1,581,258

* 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 \$353,911 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, 2016**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 3,057,692	\$ 3,194,626	\$ 3,064,909	\$ (129,717)
Other state sources	1,386,477	1,395,482	1,428,678	33,196
Other local sources	427,500	427,500	342,077	(85,423)
Total Revenues	4,871,669	5,017,608	4,835,664	(181,944)
EXPENDITURES				
Certificated salaries	1,026,747	1,026,747	971,135	55,612
Classified salaries	1,101,457	1,125,262	1,103,825	21,437
Employee benefits	685,944	692,133	627,739	64,394
Books and supplies	198,607	293,573	290,616	2,957
Services and other operating expenditures	1,443,055	1,614,479	1,415,982	198,497
Capital outlay	8,000	8,000	-	8,000
Other outgo				
Transfers of indirect costs	407,859	418,654	381,344	37,310
Total Expenditures	4,871,669	5,178,848	4,790,641	388,207
NET CHANGE IN FUND BALANCE	-	(161,240)	45,023	206,263
Fund Balance - Beginning	210,752	210,752	210,752	-
Fund Balance - Ending	\$ 210,752	\$ 49,512	\$ 255,775	\$ 206,263

See accompanying note to required supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

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
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%
March 1, 2011	\$ -	\$ 692,682	\$ 692,682	0%	\$ 11,616,113	6%

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, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office of Education's proportion of the net pension liability	0.011%	0.011%
County Office of Education's proportionate share of the net pension liability	\$ 7,371,492	\$ 6,438,931
States's proportionate share of the net pension liability associated with the County Office of Education	3,898,696	3,888,105
Total	<u>\$ 11,270,188</u>	<u>\$ 10,327,036</u>
County Office of Education's covered-employee payroll	\$ 4,690,229	\$ 4,948,231
County Office of Education's proportionate share of the net pension liability as a percentage of its covered-employee payroll	157.2%	130.1%
Plan fiduciary net position as a percentage of the total pension liability.	76.5%	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, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
County Office of Education's proportion of the net pension liability	0.054%	0.054%
County Office of Education's proportionate share of the net pension liability	\$ 7,891,387	\$ 6,161,445
County Office of Education's covered-employee payroll	\$ 5,824,683	\$ 5,893,471
County Office of Education's proportionate share of the net pension liability as a percentage of its covered-employee payroll	135.5%	104.5%
Plan fiduciary net position as a percentage of the total pension liability.	83.4%	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, 2016**

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 694,918	\$ 706,701
Contributions in relation to the contractually required contribution	(694,918)	(706,701)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County Office of Education's covered-employee payroll	\$ 5,824,683	\$ 5,893,471
Contributions as a percentage of covered-employee payroll	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, 2016**

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-employee payroll, the County Office of Education's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee 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-employee 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-employee payroll.

**GLENN COUNTY OFFICE OF EDUCATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, 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.

	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
County School Services Fund			
Classified salaries	\$ 4,513,359	\$ 4,580,769	\$ 67,410

**SUPPLEMENTARY
INFORMATION**

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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	\$ 136,772	\$ -
Title I, Part D, Local Delinquent Programs	84.010	14357	68,894	-
RSDSS Program Improvement	84.010A	*	28,980	-
Subtotal Title I, Part A			<u>234,646</u>	<u>-</u>
Adult Education				
Adult Education: Adult Basic Education & ESL	84.002A	14508	464	-
Adult Education: Adult Secondary Education	84.002A	13978	44,084	-
Adult Education: English Literacy and Civics Education	84.002A	14109	1,343	-
Subtotal Adult Education			<u>45,891</u>	<u>-</u>
Title II, Part A				
Title II, Part A, Administrator Training	84.367	14344	2,211	-
Title II, Part A, Teacher Quality	84.367	14341	3,321	-
Subtotal Title II, Part A			<u>5,532</u>	<u>-</u>
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	364	-
Title III, Immigrant Education Program	84.365	15146	1,857	-
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	948,725	269,708
IDEA Basic Local Assistance Entitlement, Part B, Sec 611, Private Schools ISPs	84.027	10115	1,624	-
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	62,691	-
Part B, Preschool Grants	84.173	13430	37,869	-
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	57,616	-
Preschool Staff Development	84.173A	13431	1,000	-
Subtotal Special Education Cluster			<u>1,109,525</u>	<u>269,708</u>
IDEA Early Intervention Grants	84.181	23761	34,422	-
Vocational Programs: Voc & Appl Tech Secondary, Sec 131 (Carl Perkins Act)	84.048	14894	26,249	-
Title X, McKinney-Vento Homeless Assistance	84.196	14332	53,906	-
<i>Passed through Tulare County Department of Education:</i>				
Title IV, Part A - California Friday Night Live Mentoring Program	84.186	*	13,435	-
Total U. S. Department of Education			<u>1,525,827</u>	<u>269,708</u>
U. S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through California Department of Education:</i>				
CCFP Claims - Centers and Family Day Care				
	10.558	13393	123,273	-
Forest Reserve Funds				
	10.665	10044	133,240	115,212
Total U. S. Department of Agriculture			<u>256,513</u>	<u>115,212</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	82,660	-
Program for Infant/Toddler Caregiver (PITC)/ Resource & Referral Contracts (CRRP)	93.575	13942	36,827	-
Federal Alternative Payments (Contract Prefix CAPP)	93.596	14153	338,804	-
Federal Local Planning Councils (Contract Prefix CLPC)	93.575	13946	47,651	-
Federal Alternative Payment, Stage 3 (III)	93.596	14135	63,725	-
Federal Resource and Referral (Contract Prefix CRRP)	93.575	13950	86,534	-
Subtotal CCDF Cluster			<u>656,201</u>	<u>-</u>
<i>Passed through California Department of Health Services:</i>				
Local Medi-Cal Administrative Activities (MAA)	93.778	10060	660,139	-
Head Start	93.600	10016	2,282,737	-
<i>Passed through California State University Chico Research Foundation:</i>				
Special Programs for the Aging - Title III, Part B - Grants for Service	93.044	*	8,000	-
Special Programs for the Aging - Title III, Part C - Nutrition	93.045	*	102,092	-
Nutrition Services Incentive Program	93.053	*	19,654	-
Total U. S. Department of Health & Human Services			<u>3,728,823</u>	<u>-</u>
U. S. DEPARTMENT OF THE INTERIOR:				
Payments in Lieu of Taxes - Fish & Wildlife				
	15.226	*	6,056	-
Total Federal Expenditures			<u>\$ 5,517,219</u>	<u>\$ 384,920</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, 2016**

	Second Period Report	Annual Report
COUNTY OPERATED PROGRAMS		
TK/K through Third		
Special Education	10.76	10.72
Extended Year Special Education - Nonpublic Schools	0.78	0.78
Total TK/K through Third	11.54	11.50
Fourth through Sixth		
Regular ADA		
Special Education	9.97	10.09
Extended Year Special Education - Nonpublic Schools	0.41	0.41
Total Fourth through Sixth	10.38	10.50
Seventh through Eighth		
Regular ADA		
Special Education	4.52	4.54
Extended Year Special Education - Nonpublic Schools	0.05	0.05
Total Seventh through Eighth	4.57	4.59
Ninth through Twelfth		
Regular ADA		
Special Education	28.63	28.60
Special Education - Nonpublic Schools	0.88	0.88
Extended Year Special Education - Nonpublic Schools	0.64	0.64
Total Ninth through Twelfth	30.15	30.12
Total County Operated Programs	56.64	56.71
COUNTY OFFICE OF EDUCATION		
Elementary		
Juvenile Halls, Homes and Camp	-	0.01
Total Elementary	-	0.01
High School		
Juvenile Halls, Homes and Camp	10.52	10.84
Probation Referred, on Probation or Parole, Expelled	8.33	6.73
Total High School	18.85	17.57
Total County Office of Education	18.85	17.58
Adults		
Handicapped Adults	52.55	55.02
Total Adults	52.55	55.02

See accompanying note to supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA), continued
FOR THE YEAR ENDED JUNE 30, 2016**

	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	6.39	5.62
Total TK/K through Third	6.39	5.62
Fourth through Sixth		
County Community Schools	10.70	9.41
Total Fourth through Sixth	10.70	9.41
Seventh through Eighth		
County Community Schools	9.88	8.88
Total Seventh through Eighth	9.88	8.88
Ninth through Twelfth		
County Community Schools	45.48	40.48
Total Ninth through Twelfth	45.48	40.48
TOTAL CHARTER SCHOOL	72.45	64.39
COUNTY OFFICE OF EDUCATION CHARTER SCHOOL - WILLIAM FINCH		
Classroom based	None Offered	None Offered
Non-Classroom based		
Elementary		
Probation Referred, on Probation or Parole, Expelled	-	-
Total Elementary	-	-
High School		
Probation Referred, on Probation or Parole, Expelled	0.23	0.18
Total High School	0.23	0.18
CHARTER SCHOOL - SUCCESS ONE!		
Classroom based	None Offered	None Offered
Non-Classroom based		
Ninth through Twelfth		
Regular ADA	30.90	36.21
Total Ninth through Twelfth	30.90	36.21
TOTAL CHARTER SCHOOL	30.90	36.21

See accompanying note to supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	2017 (Budget)	2016	2015	2014
County School Services Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 15,080,040	\$ 16,156,070	\$ 14,794,507	\$ 14,104,119
Expenditures And Other Financing Uses	14,631,036	14,650,955	15,059,566	14,908,791
Net change in Fund Balance	\$ 449,004	\$ 1,505,115	\$ (265,059)	\$ (804,672)
Ending Fund Balance	\$ 6,293,335	\$ 5,844,331	\$ 4,369,543	\$ 4,667,456
Available Reserves*	\$ 4,714,601	\$ 3,472,441	\$ 1,931,845	\$ 1,931,177
Available Reserves As A Percentage Of Outgo	32.22%	23.70%	12.83%	12.95%
Long-term Debt	\$ 15,408,972	\$ 15,408,972	\$ 12,879,519	\$ 368,844
Average Daily Attendance At P-2	232	232	223	217

The County School Services Fund balance has increased by \$1,176,875 over the past two years. The fiscal year 2016-17 budget projects a further increase of \$449,004. For a County Office of Education this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The County Office of Education has incurred operating deficits in two of the past three years and anticipates incurring an operating surplus during the 2016-17 fiscal year. Total long term obligations have increased by \$15,040,128 over the past two years.

Average daily attendance has increased by 15 ADA over the past two years. No change in ADA is anticipated during the 2016-17 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 \$353,911.

**GLENN COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>County School Services Fund</u>	<u>Adult Education Fund</u>
June 30, 2016, annual financial and budget report fund balance	\$ 5,844,331	\$ 122,967
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	122,967	(122,967)
Net adjustments and reclassifications	<u>122,967</u>	<u>(122,967)</u>
June 30, 2016, audited financial statement fund balance	<u>\$ 5,967,298</u>	<u>\$ -</u>

GLENN COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016**

	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	\$ -	\$ -	\$ 79,449	\$ 7,557	\$ -	\$ 87,006
Accounts receivable	371,480	-	-	70	-	371,550
Due from other funds	321,339	-	-	-	3,926	325,265
Total Assets	\$ 692,819	\$ -	\$ 79,449	\$ 7,627	\$ 3,926	\$ 783,821
LIABILITIES						
Deficit cash	\$ 451,772	\$ -	\$ -	\$ -	\$ 3,777	\$ 455,549
Accrued liabilities	18,801	-	-	-	7	18,808
Due to other funds	104,187	-	3,926	-	-	108,113
Unearned revenue	14,046	-	-	-	-	14,046
Total Liabilities	588,806	-	3,926	-	3,784	596,516
FUND BALANCES						
Restricted	84,425	-	-	-	142	84,567
Committed	-	-	75,523	-	-	75,523
Assigned	19,588	-	-	7,627	-	27,215
Total Fund Balances	104,013	-	75,523	7,627	142	187,305
Total Liabilities and Fund Balance	\$ 692,819	\$ -	\$ 79,449	\$ 7,627	\$ 3,926	\$ 783,821

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, 2016**

	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	\$ 932,873	\$ -	\$ -	\$ -	\$ -	\$ 932,873
Federal sources	-	269,708	-	133,241	-	402,949
Other state sources	93,262	623,740	-	-	-	717,002
Other local sources	15,245	-	-	76	(10)	15,311
Total Revenues	1,041,380	893,448	-	133,317	(10)	2,068,135
EXPENDITURES						
Current						
Instruction	868,530	-	-	-	-	868,530
Instruction-related services						
Instructional supervision and administration	238,379	-	-	-	-	238,379
Instructional library, media, and technology	1,500	-	-	-	-	1,500
Pupil services						
All other pupil services	40,981	-	-	-	-	40,981
General administration						
Centralized data processing	9,100	-	-	-	-	9,100
All other general administration	104,155	-	-	-	-	104,155
Plant services	-	-	6,205	-	-	6,205
Facilities acquisition and maintenance	-	-	28,758	-	3,923	32,681
Transfers to other agencies	-	893,448	-	115,212	-	1,008,660
Total Expenditures	1,262,645	893,448	34,963	115,212	3,923	2,310,191
Excess (Deficiency) of Revenues						
Over Expenditures	(221,265)	-	(34,963)	18,105	(3,933)	(242,056)
Other Financing Sources (Uses)						
Transfers in	247,169	-	51,117	-	3,926	302,212
Transfers out	-	-	(3,926)	(17,216)	-	(21,142)
Net Financing Sources (Uses)	247,169	-	47,191	(17,216)	3,926	281,070
NET CHANGE IN FUND BALANCE	25,904	-	12,228	889	(7)	39,014
Fund Balance - Beginning	78,109	-	63,295	6,738	149	148,291
Fund Balance - Ending	\$ 104,013	\$ -	\$ 75,523	\$ 7,627	\$ 142	\$ 187,305

See accompanying note to supplementary information.

**GLENN COUNTY OFFICE OF EDUCATION
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2016**

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	2016
Janice Cannon	Vice-President	2018
Kathy Perez	Member	2018
Motile Clark	Member	2016
Adele Foley	Member	2016

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, 2016

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, 2016 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2016.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 5,517,231
Adult Education: English Literacy and Civics Education	84.002A	(6)
Senior Nutrition Program	93.004, 93.045, & 93.053	(6)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 5,517,219</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.

GLENN COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2016

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 2015-16. Thus, no classroom based ADA is reported in fiscal year 2015-16.

Success One! Charter School is a solely non-classroom based charter school in fiscal year 2015-16. Thus, no classroom based ADA is reported in fiscal year 2015-16.

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, 2016, 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 13, 2016.

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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State Board of Accountancy*

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.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
December 13, 2016

**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, 2016. 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, 2016.

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 13, 2016

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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel 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, 2016, 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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, 2016.

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
Educator Effectiveness	No
California Clean Energy Jobs Act	Yes

(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 on Educator Effectiveness as there were no expenditures for fiscal year 2015-16.

Christy White Associates

San Diego, California
December 13, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**GLENN COUNTY OFFICE OF EDUCATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

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>	
84.027, 84.173, 84.027A, & 84.173A	IDEA Cluster	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
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, 2016

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings in fiscal year 2015-16.

GLENN COUNTY OFFICE OF EDUCATION
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs in fiscal year 2015-16.

GLENN COUNTY OFFICE OF EDUCATION
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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 2015-16.

GLENN COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

FINDING #2015-1: NON-CLASSROOM BASED CHARTER ATTENDANCE (10000)

Criteria: For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)). In addition, a certificated employee of the charter school, as defined by title 5, California Code of Regulations, section 11700.1, coordinated, evaluated, and provided general supervision, as that term is defined in title 5, California Code of Regulations, section 11700(b), of each pupil's independent study, as required by the provisions of Education Code section 51747.5(a).

Condition: Through our testing of the non-classroom based attendance at charter schools, we noted the following internal control deficiencies:

William Finch Charter

- 1 out of 10 the long term independent study contracts tested showed a discrepancy between the number of days of attendance for the month credited by the teacher and the number of days of attendance recorded in the Aeries Attendance System. The teacher noted 2.75 days of attendance while the Attendance system showed 10 days of attendance. This error gives rise to an overstatement of 7 days (rounding the 2.75 days to 3). This student is in Grade 11.

Success One! Charter,

- 5 out of 10 of the long term independent study contracts tested showed a discrepancy between the number of days of attendance for the month credited by the teacher and the number of days of attendance recorded in the Aeries Attendance System. These errors give rise to a total overstatement of 61 days. These students are all from Grade Span 9 - 12.

Cause: Procedures were not fully followed to obtain all required elements of the independent study agreement and correctly record independent study contracts in the attendance system.

Perspective: The error found was within the short-term independent study program only and minor overall.

Effect: Possible loss of apportionment funding for days of attendance related to deficient independent study contracts.

ADA Impact: For William Finch, 7 attendance days were overstated as tested in grade span 9-12. Given 135 days in the P2 reporting period and a Grade 9-12 LCFF adjusted base amount of \$8,172, the estimated questioned cost to the County is \$423.73. This is an overstatement of 0.05 ADA. For Success One!, 61 attendance days were overstated as tested in grade span 9-12. Given 184 days in the P2 reporting period and a Grade 9-12 LCFF adjusted base amount of \$8,712, the estimated questioned cost to the County is \$2,888.22. This is an overstatement of 0.33 ADA.

GLENN COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2016

FINDING #2015-1: NON-CLASSROOM BASED CHARTER ATTENDANCE (10000) (continued)

Recommendation: We recommend that the County revise the Second Period attendance report and implement internal control procedures to ensure that independent study contracts are being filled out with all necessary information required by Education Code Section 51747 and completed prior to the beginning of the contract.

County Office of Education Response: Glenn County Office of Education will revise the P-2 attendance report and provide staff training to ensure attendance credit is recorded correctly.

Current Status: Implemented.

FINDING #2015-2: INSTRUCTIONAL MATERIALS PUBLIC HEARING (70000)

State Program: Instructional Materials Funding Realignment Program (IMFRP)

Criteria: The County Office of Education must hold an annual public hearing regarding sufficiency of instructional materials and the determination of sufficiency instructional materials must be made at a regularly scheduled board meeting in accordance with *California Education Code Section 60119*. The County Office of Education must provide a 10-day notice for public hearing related to instructional materials and adopt the appropriate resolution on or before the end of the eighth week from the first day of pupil attendance for the given school year.

Condition: In our review of documentation related to the sufficiency of textbooks and instructional materials, it was noted that the County Office of Education did not provide a 10-day notice of its public hearing. The notice of public hearing was posted on September 10, 2014 for the public hearing which occurred on September 17, 2014. This notice was posted only 8 days prior to the hearing.

Effect: The County Office of Education was not in compliance with the applicable section of California Education Code related to instructional materials.

Cause: Administrative oversight related to the posting of the notice of public hearing and regarding the sufficiency of textbooks and instructional materials.

Questioned Costs: None. Based on an LEA advisory from the *California State Controller* dated October 1, 2014, the requirements are verified for compliance only and a finding does not result in disallowance of funds.

GLENN COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2016

FINDING #2015-2: INSTRUCTIONAL MATERIALS PUBLIC HEARING (70000) (continued)

Recommendation: We recommend that the County Office of Education ensure public notice is posted at least 10-days prior to the public hearing regarding sufficiency of textbooks and instructional materials.

County Office of Education Response: Glenn County Office of Education will implement procedures to ensure the public notice is posted 10 days prior to the instructional materials public hearing.

Current Status: Implemented.