

AGENDA FOR THE REGULAR MEETING OF THE
SIERRA COUNTY BOARD OF EDUCATION
January 8, 2013
6:00 pm
Loyalton Middle School, Room 4, Loyalton, California

This meeting will be available for videoconferencing at Downieville School, Downieville CA.
In the case of a technological difficulty at either school site, videoconferencing will not be available.

Any individual who requires disability-related accommodations or modifications including auxiliary aids and services in order to participate in the Board meeting should contact the Superintendent or designee in writing.

Public inspection of agenda documents that are distributed to the Board less than 72 hours before the meeting, will be made available at the Sierra County Board of Education, 305 S. Lincoln Street, Sierraville, CA 96126 and, when feasible, attached to the online agenda at <http://www.sierracountyofficeofeducation.org> (Government Code 54957.5)

- A. CALL TO ORDER
- B. ROLL CALL
- C. FLAG SALUTE
- D. APPROVAL OF THE AGENDA
- E. INFORMATION/DISCUSSION ITEMS
 - 1. Correspondence
 - 2. Superintendent's Report
 - a. Community Recognition – Rick and Carolyn Roberti
 - 3. Business Report
 - a. SCOE and S-PJUSD Audit Presentation by Clay Singleton, Haws, Theobold and Auman, CPA
 - b. Board Report-Expenditures by Object 07/01/12 to 12/31/12**
 - c. Board Trustee email
 - 4. Staff Reports (5 minutes)
 - 5. SPTA Report (5 minutes)
 - 6. Board Members' Report (5 minutes)
 - 7. Public Comment – This is an opportunity for members of the public to directly address the governing board on any item of interest that is within the subject matter jurisdiction of the governing board whether or not it is listed on the agenda. Five minutes may be allotted to each speaker and a maximum of twenty minutes to each subject matter. (Education Code 35145.5; Bylaw 9322; Government Code 54954.3)
 - a. Current location
 - b. Videoconference location
- F. CONSENT CALENDAR
 - 1. Approval of minutes of the Regular Board meeting held December 11, 2012**

Sierra County Board of Education
Regular Meeting Agenda
January 8, 2013

2. Approval of bill warrants for month of December 2012**
3. Approval of Quarterly Report on Williams Uniform Complaints for quarter ending December 31, 2012. It is required per Education Code 35186 section (d) that a school district shall report summarized data on the nature and resolution of all complaints on a quarterly basis to the county superintendent of schools and the governing board of the school district. No complaints regarding textbooks and instructional materials, teacher vacancy or misassignment or conditions of facilities were filed with Sierra County Office of Education during the quarter ending December 31, 2012.
4. Authorization to submit Consolidated Application, Part II

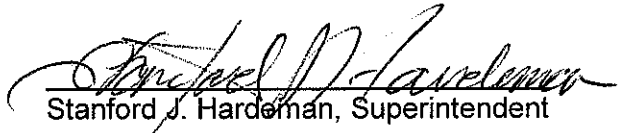
G. ACTION ITEMS

1. New Business
 - a. Acceptance of 2011-2012 Financial Audit**
 - b. Student Accountability Report Card*

H. ADVANCED PLANNING

1. Next Regular Board Meeting will be held on February 12, 2013, at Downieville School, Downieville, California, at 6:00 pm.
2. Special Board meeting, February 26, 2013, at Loyalton Middle School, Loyalton, California, 6 pm.
3. Suggested Agenda Items

I. ADJOURNMENT


Stanford J. Hardeman, Superintendent

*** prior month handout
** enclosed
* handout

Balances through December						Fiscal Year 2012/13
Object	Description	Adopted Budget	Revised Budget	Encumbered	Expenditure	Account Balance
Fund 01 - Gen Fund						
1100	Teachers Salaries	165,966.00	169,479.00	96,666.66	69,555.68	3,256.66
1120	Certificated Substitutes	4,833.00	4,833.00		1,200.00	3,633.00
1200	Certificated Pupil Support Ser	59,350.00	61,714.00	34,732.20	23,154.80	3,827.00
1300	Certificated Supervisor Admini	65,192.00	65,192.00	32,595.90	32,595.90	.20
Total for Object 1000		295,341.00	301,218.00	163,994.76	126,506.38	10,716.86
2100	Instructional Aides' Salaries	108,737.00	138,147.00	65,927.33	40,531.23	31,688.44
2120	Classified Substitutes	1,000.00	1,000.00			1,000.00
2200	Classified Support Salaries	4,888.00	4,888.00	3,040.48	2,562.94	715.42-
2300	Classified Supervisors' Admini	100,802.00	100,922.00	49,950.00	50,235.00	737.00
2400	Clerical Technical Office Staf	113,746.00	113,696.00	57,893.56	55,879.58	77.14-
2900	Other Classified Salaries	6,144.00	6,208.00		1,740.00	4,468.00
Total for Object 2000		335,317.00	364,861.00	176,811.37	150,948.75	37,100.88
3101	STRS Certificated Positions	24,366.00	25,256.00	13,529.46	10,355.86	1,370.68
3102	STRS Classified Positions	300.00	300.00	180.00	120.00	.00
3202	PERS Classified Positions	50,903.00	51,504.00	24,829.32	22,935.25	3,739.43
3302	OASDI Classified Positions	19,595.00	21,896.00	10,588.84	9,055.04	2,252.12
3311	Medicare Certificated Position	4,202.00	4,281.00	2,334.54	1,892.41	54.05
3312	Medicare Classified Positions	4,639.00	5,179.00	2,506.85	2,140.64	531.51
3401	Health & Welfare Benefits Cert	75,400.00	75,996.00	40,060.26	29,013.58	6,922.16
3402	Health & Welfare Benefits Clas	87,800.00	77,469.00	42,370.06	38,879.45	3,780.51-
3501	SUI Certificated	3,249.00	3,305.00	1,803.96	2,105.93	604.89-
3502	SUI Classified	3,666.00	3,889.00	1,944.89	1,653.81	290.30
3601	Workers' Compensation Certific	8,448.00	8,405.00	4,687.38	3,611.00	106.62
3602	Workers' Compensation Classifi	9,338.00	10,402.00	5,134.08	4,185.80	1,082.12
3701	OPEB, Allocated Certificated	27,730.00	21,251.00		6,479.22	14,771.78
3802	PERS Reduction Recapture	5,681.00	5,107.00	2,449.86	2,189.38	467.76
3901	Golden Handshake		12,958.00			12,958.00
Total for Object 3000		325,317.00	327,198.00	152,419.50	134,617.37	40,161.13
4100	Approved Textbooks Core Curric	532.00	532.00		293.13	238.87
4200	Library and Reference Material	4,250.00	7,062.00	1,580.05	2,126.75	3,355.20
4300	Materials and Supplies	14,275.00	14,201.00	415.41	4,054.64	9,730.95
4320	Custodial Supplies	1,300.00	1,300.00	196.83	724.90	378.27
4330	Office Supplies	2,000.00	2,000.00		348.16	1,651.84
4350	Vehicle Upkeep	7,000.00	7,000.00	992.74	790.83	5,216.43
Total for Object 4000		29,357.00	32,095.00	3,185.03	8,338.41	20,571.56

Selection Filtered by User Permissions, (Org = 1, Online/Offline = N, Fiscal Year = 2013, Period = 6, Unposted JEs? = N, Assets and Liabilities? = N, Restricted Accts? = Y, Fund = 01, Object = 1-7, SACS Fund? = N, Fund Page Break? = N, Obj Lvl = 4, Obj Digits = 1, Page Break? = N)

ESCAPE ONLINE

Balances through December						Fiscal Year 2012/13
Object	Description	Adopted Budget	Revised Budget	Encumbered	Expenditure	Account Balance
Fund 01 - Gen Fund (continued)						
5100	Subagreements for Services	50,000.00	50,000.00	25,000.00		25,000.00
5200	Travel and Conference	26,031.00	23,357.00	2,453.93	5,282.38	15,620.69
5300	Dues and Membership	16,321.00	16,321.00	2,100.00	7,114.00	7,107.00
5400	Insurance	10,200.00	10,200.00		10,187.00	13.00
5500	Operation Housekeeping Service	10,000.00	10,000.00	860.49	1,068.51	8,071.00
5600	Rentals, Leases, Repairs, Nonc	3,100.00	3,100.00	317.37	409.37	2,373.26
5800	Professional Consulting	9,000.00	9,000.00	4,400.00	3,200.00	1,400.00
5801	Legal Services	35,000.00	35,000.00	235.00	765.00	34,000.00
5803	Legal Publications	500.00	500.00	200.00	12.93	287.07
5805	Personnel Expense	700.00	700.00	250.00		450.00
5806	Negotiations	2,000.00	2,000.00			2,000.00
5808	Other Services & Fees	1,500.00	1,500.00	698.97	511.31	289.72
5810	Contracted Services	196,694.00	218,225.00	72,149.32	89,325.21	56,750.47
5899	SPJUSD to Reimburse			1,636.34	417.75	2,054.09-
5900	Communications	2,000.00	2,000.00			2,000.00
	Total for Object 5000	363,046.00	381,903.00	110,301.42	118,293.46	153,308.12
7110	County Tuition Inter Dist Agre	133,586.00	137,961.00		3,972.00	133,989.00
7141	Tuition, excess cost etc betwe	99,264.00	131,950.00	97,686.77	19,004.34	15,258.89
7310	Direct Support/Indirect Costs					.00
	Total for Object 7000	232,850.00	269,911.00	97,686.77	22,976.34	149,247.89
	Total for Expense accounts	1,581,228.00	1,677,186.00	704,398.85	561,680.71	411,106.44
	Total for Org 001, Fund 01 and Expense accounts	1,581,228.00	1,677,186.00	704,398.85	561,680.71	411,106.44

MINUTES OF THE REGULAR MEEETING OF THE
SIERRA COUNTY BOARD OF EDUCATION
December 11, 2012
Downieville School, Downieville, California

This meeting was available for videoconferencing at Loyalton Middle School, Room 4, Loyalton, CA.

A. CALL TO ORDER

President ALLEN WRIGHT called the meeting to order at 6:04 pm.

B. ROLL CALL

PRESENT: Mr. Allen Wright President
Ms. Sharon Dryden, Vice President
Mr. Mike Moore, Member
Mr. Tim Driscoll, Member

ABSENT: None

VACANT: One

STAFF: Mr. Stan Hardeman, Superintendent
Ms. Rose Asquith, Business Manager
Ms. Hannah Tomatis, Administrative Assistant
Ms. Marla Stock, Site Administrator (via videoconference)
Mr. Derek Cooper, Site Administrator
Ms. Marlene Mongolo, Testing/SELPA Director (via videoconference)

C. FLAG SALUTE

D. RECESS TO THE SIERRA-PLUMAS JOINT UNIFIED SCHOOL DISTRICT GOVERNING BOARD MEETING - 6:05 pm

E. RECONVENE SIERRA COUNTY OFFICE OF EDUCATION BOARD OF EDUCATION MEETING - 7:37 pm

**F. APPROVAL OF THE AGENDA
MSCU/DRYDEN/HALL**

G. BOARD ORGANIZATION

1. Election of Officers for 2013
 - a. President
MOORE motioned that ALLEN WRIGHT be elected president/DRYDEN seconded. Motion passed unanimously
 - b. Vice-President
MOORE motioned that SHARON DRYDEN be elected Vice President. HALL seconded. Motion passed unanimously.

- c. Clerk
MOORE motioned that HALL be elected Clerk. DRISCOLL seconded. Motion passed unanimously.

H. INFORMATION/DISCUSSION ITEMS

1. Correspondence – None
2. Superintendent's Report
 - a. Student Attendance Review Board – A lot of people have invested time in SARB, yet there is a question as to its effectiveness. Other Counties rely more on probation; since MOORE is no longer in the capacity of probation officer, not as much follow up/student contact is happening. Options will be discussed at the next SARB.
 - b. Special Education Self Review Final Report - Marlene Mongolo was congratulated on her efforts to complete and receive positive findings. Mrs. Mongolo thanked her staff for creating compliant IEPs and their review of as many as 30 individual files for the final report.
3. Business Report
 - a. Board Report-Expenditures by Object 07/01/12 to 11/30/12
 - b. Business Office Closure for the period of December 24, 2012 through January 1, 2013
4. Staff Reports (5 minutes) - None
5. SPTA Report (5 minutes) – None
6. Board Members' Report (5 minutes) – MOORE reported on a prior student referral to the SARB who has recently obtained a college degree.

DRISCOLL reported that he attended the Ethics Training by The Special Districts Association. This may be a good resource for other areas of training. The Governance Training sponsored by the Small School Districts Association will be attended by Tim Driscoll, Sharon Dryden (note: later cancelled) and Patricia Hall.

7. **Public Comment** – This is an opportunity for members of the public to directly address the governing board on any item of interest that is within the subject matter jurisdiction of the governing board whether or not it is listed on the agenda. Five minutes may be allotted to each speaker and a maximum of twenty minutes to each subject matter. (Education Code [35145.5](#); Bylaw 9322; Government Code [54954.3](#))
 - a. Current location – No comment.
 - b. Videoconference location – No comment.

I. CONSENT CALENDAR

1. Approval of minutes of the Regular Board meeting held November 13, 2012
2. Approval of bill warrants for month of November 2012
MSCU/MOORE/ DRISCOLL

J. ACTION ITEMS

1. New Business
 - a. Adoption of 2012-2013 First Interim Actuals as of October 31, 2012
MSCU/MOORE/DRISCOLL

K. ADVANCED PLANNING

1. Next Regular Board Meeting will be held on January 8, 2013, at Loyalton Middle School, Room 4, Loyalton, California, at 6:00 pm.
2. Suggested Agenda Items
 - a. Financial Audit Report/Presentation

L. ADJOURNMENT

MSCU/MOORE/DRISCOLL
ADJOURNED at 7:59 pm

RECONVENE TO THE SIERRA-PLUMAS JOINT UNIFIED SCHOOL DISTRICT GOVERNING
BOARD MEETING at 7:59 pm

Patricia Hall, Clerk

Stanford J. Hardeman, Superintendent

Checks Dated 12/01/2012 through 12/31/2012

Check Number	Check Date	Pay to the Order of	Fund Object	Expensed Amount	Check Amount
00013624	12/05/2012	GIRARD, EDWARDS & HANCE ATTS	01-5801		637.50
00013625	12/05/2012	W.W. GRAINGER, INC.	01-4320		187.59
00013626	12/05/2012	HAWS, THEOBALD & AUMAN PC	01-5800		2,600.00
00013627	12/05/2012	HILTON SACRAMENTO ARDEN WEST	Cancelled		96.18 *
Cancelled on 12/13/2012					
00013628	12/05/2012	LIBERTY UTILITIES	01-5500		146.39
00013629	12/05/2012	BARBARA MCKURTIS	01-5810		2,000.00
00013630	12/05/2012	SIERRA COUNTY OFFICE OF EDUCATION	01-5808		135.98
00013631	12/05/2012	SIERRA VALLEY HOME CENTER	01-4300		875.10
00013632	12/05/2012	TRI COUNTY SCHOOLS INSURANCE GROUP	01-9535	3,201.00	
			76-9576	11,223.10	14,424.10
00013633	12/05/2012	U.S. BANK	01-5200	20.00	
			01-5899	52.58	72.58
00013634	12/05/2012	WASHOE COUNTY SCHOOL DISTRICT	01-7110	3,972.00	
			01-9500	145,000.00	148,972.00
00013635	12/19/2012	A-1 CHEMICAL INC	01-4320		385.03
00013636	12/19/2012	ACHIEVEMENT PRODUCTS	01-4300		200.11
00013637	12/19/2012	CDE CASHIER'S OFFICE	01-9590		13,875.00
00013638	12/19/2012	CCSESA	01-5200		350.00
00013639	12/19/2012	BARBARA MCKURTIS	01-5810		4,000.00
00013640	12/19/2012	MARLENE MONGOLO	01-5200		135.18
00013641	12/19/2012	NORTHEASTERN JOINT POWERS AUTHORITY	76-9571		4,731.25
00013642	12/19/2012	HM RECEIVABLES CO LLC	01-4300		129.78
00013643	12/19/2012	SUSAN ROBERTS	01-5200		92.85
00013644	12/19/2012	THE MCGRAW-HILL COMPANIES	01-4200		1,791.35
00013645	12/19/2012	SUSAN VANDRUFF, OTR	01-5810		2,210.00
00013646	12/19/2012	VOYAGER	01-4350	196.89	
			01-5899	93.97	290.86
00013647	12/19/2012	ALLEN WRIGHT	01-5200		20.82
Total Number of Checks				24	198,359.65

	Count	Amount
Cancel	1	96.18
Net Issue		198,263.47

Fund Summary

Fund	Description	Check Count	Expensed Amount
01	County School Service Fund	22	182,309.12
76	Payroll Clearing	2	15,954.35
Total Number of Checks		23	198,263.47
Less Unpaid Sales Tax Liability			.00
Net (Check Amount)			198,263.47

The preceding Checks have been issued in accordance with the District's Policy and authorization of the Board of Trustees. It is recommended that the preceding Checks be approved.

**SIERRA COUNTY OFFICE OF EDUCATION
COUNTY OF SIERRA
SIERRAVILLE, CALIFORNIA**

**AUDIT REPORT
JUNE 30, 2012**

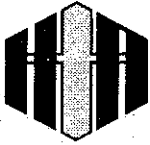
Introductory Section

Sierra County Office of Education
 Audit Report
 For The Year Ended June 30, 2012

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Financial Section



Independent Auditor's Report on Financial Statements

Board of Trustees
Sierra County Office of Education
Sierraville, California 96126

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra County Office of Education as of and for the year ended June 30, 2012, which collectively comprise the County Office of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sierra County Office of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the notes to the financial statements, the State of California continues to experience economic hardship that directly impacts K-12 local educational agencies.

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 Sierra County Office of Education as of June 30, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012, on our consideration of Sierra 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 an 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sierra County Office of Education's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



Haws, Theobald & Auman PC

October 5, 2012

SIERRA COUNTY OFFICE OF EDUCATION
Management's Discussion and Analysis (MD&A)
June 30, 2012

INTRODUCTION

Our discussion and analysis of Sierra County Office of Education's (County Office) financial performance provides an overview of the County Office's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the County Office's financial statements (including notes and supplementary information), which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net assets were \$2,269,976 at June 30, 2012. This was a decrease of \$176,658 over the prior year. The decrease in net assets was due to a reduction of Federal and State resources.
- ❑ Overall revenues were \$1,756,782, which was less than expenses of \$1,933,440 by \$176,658.
- ❑ The general fund reported a fund balance this year of \$1,902,695, this is a decrease of \$143,492 from the prior year. This decrease is due to an increase in instruction cost, reduction of federal and state resources, offset by decreases for pupil services, plant maintenances cost and other outgo.
- ❑ Long-term debt has increased by \$15,330 due to postemployment benefits (OPEB) and compensated absences.

OVERVIEW OF FINANCIAL STATEMENTS

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

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the County Office operations in more detail. The fund financial statements comprise the remaining statements.
- ❑ **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the County Office's budget for the year is included.

Government-Wide Statements

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

The two government-wide statements report the County Office's net assets and how they have changed. Net assets, the difference between the assets and liabilities, are one way to measure the County Office's financial health or position.

- ❑ Over time, increases or decreases in the County Office's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the County Office, one needs to consider additional nonfinancial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The County Office's combined net assets decreased from \$2,446,634 at June 30, 2011, down to \$2,269,976, a decrease of 7.2%. See Table 1.

Many factors contributed to the change in net assets. The primary reason was revenue declined by 14.5%.

**Table 1:
Net Assets**

	Governmental Activities		Total Percentage
	2012	2011	Change 2012-2011
Assets			
Deposits and Investments	\$ 1,935,435	\$ 1,989,593	-2.72%
Accounts Receivable	-	2,525	-100.00%
Due from Grantor Governments	279,011	298,321	-6.47%
Capital Assets, Net of Accumulated Depreciation	409,075	426,911	-4.18%
TOTAL ASSETS	2,623,521	2,717,350	-3.45%
Liabilities			
Current	339,481	255,791	32.72%
Long-Term Debt	14,064	14,925	-5.77%
TOTAL LIABILITIES	353,545	270,716	30.60%
Net Assets			
Invested in Capital Assets, Net of Related Debt	409,075	426,911	-4.18%
Restricted	12,271	69,480	-82.34%
Unrestricted (deficit)	1,848,630	1,950,243	-5.21%
TOTAL NET ASSETS	\$ 2,269,976	\$ 2,446,634	-7.22%

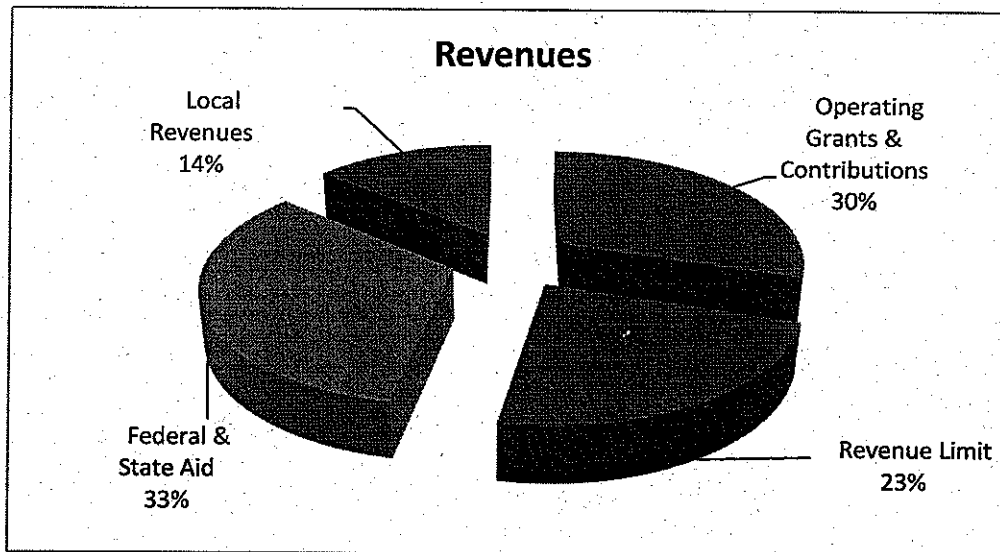
Changes in Net Assets

The County Office's total revenues were \$1,756,782. Some of the revenue comes from Revenue Limit and property taxes 23.1%. Federal and state aid for specific programs accounted for another 27.6% of total revenues. Revenues decreased from the prior year due to a reduction of federal and state revenue.

The total cost of all programs and services was \$1,933,440. The County Office's expenses are predominately related to educating and caring for students 40.5%. Administrative activities accounted for just 26.8% of total costs. The remaining expenses were for plant services (maintenance and operations), community services, ancillary services, and other outgo. Program expenses decreased from the prior year, mainly due to Forest Reserve revenue passed through to Sierra-Plumas Joint Unified School District and lower plant maintenance expenditures.

**Table 2:
Changes in Net Assets**

	Governmental Activities		Total Percentage
	2012	2011	Changes 2012-2011
Revenues			
Program Revenues:			
Operating Grants & Contributions	\$ 522,492	\$ 621,475	-15.93%
General Revenues			
Revenue Limit	405,055	403,583	0.36%
Federal & State Aid	585,212	765,257	-23.53%
Local Revenues	244,023	291,395	-16.26%
TOTAL REVENUES	1,756,782	2,081,710	-15.61%
Expenses			
Program Expenses			
Instruction	584,155	510,239	14.49%
Instruction-Related Services	105,786	99,947	5.84%
Pupil Services	93,268	114,222	-18.34%
General Administration	512,767	465,729	10.10%
Plant Services	13,231	31,542	-58.05%
Ancillary Services	6,975	16,999	-58.97%
Other Outgo	617,258	775,016	-20.36%
TOTAL EXPENSES	1,933,440	2,013,694	-3.99%
INCREASE IN NET ASSETS	\$ (176,658)	\$ 68,016	-359.73%



Governmental Activities

Table 3 presents the cost of each of the County Office's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

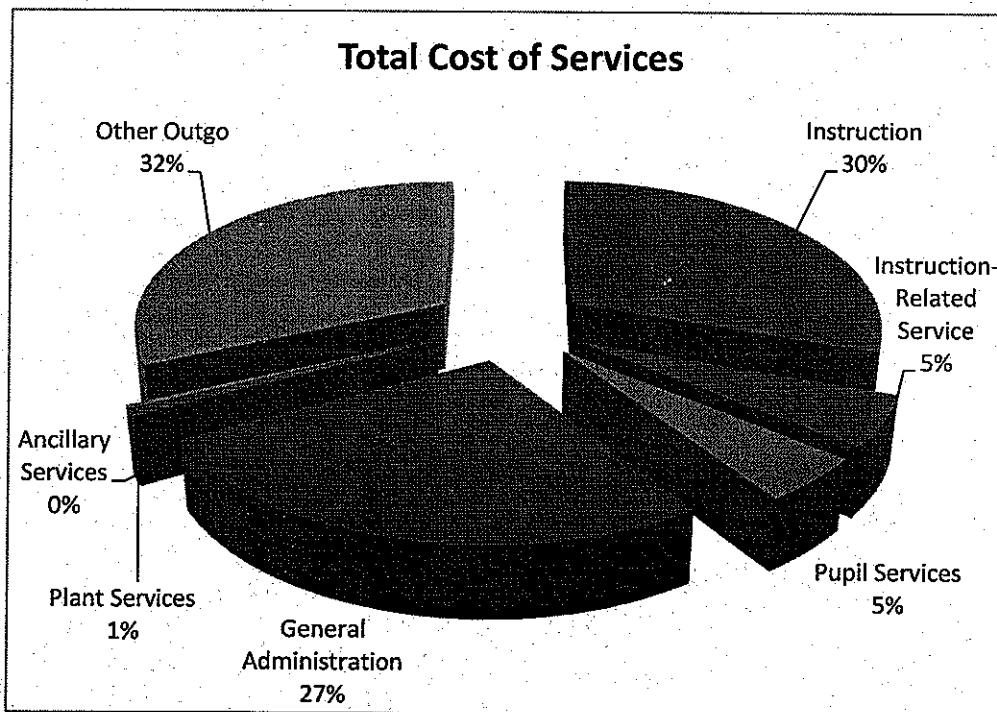
The cost of all governmental activities this year was \$1,933,440.

The amount that our taxpayers paid for these activities through property taxes was \$72,953.

Some of the costs were paid directly from grants and contributions \$522,492.

**Table 3
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 584,155	\$ 510,239	\$ 395,614	\$ 307,192
Instruction-Related Service	105,786	99,947	70,227	53,107
Pupil Services	93,268	114,222	60,792	67,465
General Administration	512,767	465,729	335,701	273,991
Plant Services	13,231	31,542	2,549	18,597
Ancillary Services	6,975	16,999	4,546	9,919
Other Outgo	617,258	775,016	541,519	661,948
TOTAL	\$ 1,933,440	\$ 2,013,694	\$ 1,410,948	\$ 1,392,219



FINANCIAL ANALYSIS OF THE COUNTY OFFICE'S FUNDS

The overall financial performance of the County Office as a whole is reflected in its governmental funds as well. As the County Office completed the year, its governmental funds reported a combined fund balance of \$1,902,695, which is below last year's ending fund balance of \$2,046,187, this change was caused by reduction of federal and state grants, and local revenue and an increase to instruction and instruction-related services.

General Fund Budgetary Highlights

Over the course of the year, the County Office revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved in the September

2012 board meeting. A schedule of the County Office's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the County Office had invested \$409,075 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. More detailed information about the County Office's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental Activities		Total Percentage
	2012	2011	Change 2012-2011
Buildings & Improvements	\$ 501,900	\$ 501,900	0.00%
Machinery and Equipment	208,001	179,059	16.16%
Totals at Historical Cost	709,901	680,959	4.25%
Total Accumulated Depreciation	(300,826)	(254,048)	18.41%
NET CAPITAL ASSETS	\$ 409,075	\$ 426,911	-4.18%

The County Office did not establish a 2012-2013 budget for capital projects.

Long-Term Debt

At year end, the County Office had \$41,794 in debt, consisting of Compensated Absences and Post Employment Benefits, as shown in Table 5. The County Office added \$15,330 in debt during the fiscal year. More detailed information about the County Office's debt is presented in the notes to the financial statements.

Table 5
Long-Term Debt

	Governmental Activities		Total Percentage
	2012	2011	Change 2012-2011
Compensated Absences	\$ 12,108	\$ 11,539	4.93%
Post Employment Benefits	29,686	14,925	100.00%
TOTAL LONG-TERM DEBT	\$ 41,794	\$ 26,464	57.93%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The uncertainty of federal and state funding can have a profound impact on the financial health of the County Office. Although no changes are currently anticipated, the federal and the state governments could implement budget cuts.
- The continuing increases in premiums for health care insurance and worker's compensation could have a significant effect on the future financial health of the County Office. The 2013 premium for health insurance increased by 2% over the 2012 premium. The worker's

compensation rate increased by a tenth of a percent over the 2011 rate. Health care premiums are predicted to continue to increase into the foreseeable future.

- The budget assumptions used to prepare the budget for 2013 included a 3.24% cost of living allowance (COLA), a revenue limit deficit factor of 22.549% and salary step and column increase of 2%.

CONTACTING THE COUNTY OFFICE'S FINANCIAL MANAGEMENT

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

Rose Asquith
Sierra County Office of Education
305 South Lincoln St.
Sierraville, CA 96126

Basic Financial Statements

SIERRA COUNTY OFFICE OF EDUCATIONSTATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS:	
<i>Cash in County Treasury</i>	\$ 1,932,935
<i>Cash in Revolving Fund</i>	2,500
<i>Due from Grantor Governments</i>	279,011
Capital Assets:	
<i>Buildings, Net</i>	308,811
<i>Equipment, Net</i>	100,264
Total Assets	<u>2,623,521</u>
LIABILITIES:	
<i>Accounts Payable</i>	217,402
<i>Due to Grantor Governments</i>	48,450
<i>Deferred Revenues</i>	45,899
Noncurrent Liabilities:	
<i>Due within one year</i>	27,730
<i>Due in more than one year</i>	14,064
Total Liabilities	<u>353,545</u>
NET ASSETS	
Invested in Capital Assets	409,075
Restricted For:	
Federal and State Programs	12,271
Unrestricted	1,848,630
Total Net Assets	<u>\$ 2,269,976</u>

The accompanying notes are an integral part of this statement.

SIERRA COUNTY OFFICE OF EDUCATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
PRIMARY GOVERNMENT:			
Government Activities:			
<i>Instruction</i>	\$ 584,155	\$ 188,541	\$ (395,614)
<i>Instruction-Related Services</i>	105,786	35,559	(70,227)
<i>Pupil Services</i>	93,268	32,476	(60,792)
<i>Ancillary Services</i>	6,975	2,429	(4,546)
<i>General Administration</i>	512,767	177,066	(335,701)
<i>Plant Services</i>	13,231	10,682	(2,549)
<i>Other Outgo</i>	617,258	75,739	(541,519)
Total Governmental Activities	<u>1,933,440</u>	<u>522,492</u>	<u>(1,410,948)</u>
Total Primary Government	<u>\$ 1,933,440</u>	<u>\$ 522,492</u>	<u>(1,410,948)</u>
General Revenues:			
<i>Revenue Limit Sources</i>			405,055
<i>Federal Revenues</i>			485,291
<i>State Revenues</i>			99,921
<i>Local Revenues</i>			244,023
<i>Transfers</i>			
Total General Revenues			<u>1,234,290</u>
Change in Net Assets			(176,658)
Net Assets - Beginning			2,446,634
Net Assets - Ending			<u>\$ 2,269,976</u>

The accompanying notes are an integral part of this statement.

SIERRA COUNTY OFFICE OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund
ASSETS:	
<i>Cash in County Treasury</i>	\$ 1,932,935
<i>Cash in Revolving Fund</i>	2,500
<i>Due from Grantor Governments</i>	279,011
Total Assets	\$ 2,214,446
LIABILITIES AND FUND BALANCE:	
Liabilities:	
<i>Accounts Payable</i>	\$ 217,402
<i>Due to Grantor Governments</i>	48,450
<i>Deferred Revenue</i>	45,899
Total Liabilities	311,751
Fund Balance:	
Nonspendable Fund Balances:	
<i>Revolving Cash</i>	2,500
Restricted Fund Balances	12,271
Assigned Fund Balances	29,686
Unassigned:	
<i>Reserve for Economic Uncertainty</i>	150,116
<i>Other Unassigned</i>	1,708,122
Total Fund Balance	1,902,695
Total Liabilities and Fund Balances	\$ 2,214,446

The accompanying notes are an integral part of this statement.

SIERRA COUNTY OFFICE OF EDUCATION

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total fund balances - governmental funds balance sheet	\$ 1,902,695
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	409,075
Payables for compensated absences which are not due in the current period are not reported in the funds.	(12,108)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	<u>(29,686)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 2,269,976</u>

The accompanying notes are an integral part of this statement.

SIERRA COUNTY OFFICE OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	General Fund
Revenues:	
Revenue Limit Sources:	
<i>State Apportionments</i>	\$ 332,102
<i>Local Sources</i>	72,953
<i>Federal Revenue</i>	635,847
<i>Other State Revenue</i>	471,857
<i>Other Local Revenue</i>	244,023
Total Revenues	<u>1,756,782</u>
Expenditures:	
<i>Instruction</i>	541,463
<i>Instruction - Related Services</i>	102,122
<i>Pupil Services</i>	93,268
<i>Ancillary Services</i>	6,975
<i>General Administration</i>	508,510
<i>Plant Services</i>	30,678
<i>Other Outgo</i>	617,258
Total Expenditures	<u>1,900,274</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(143,492)</u>
Other Financing Sources (Uses):	
<i>Transfers In</i>	160,830
<i>Transfers Out</i>	<u>(160,830)</u>
Total Other Financing Sources (Uses)	<u>(143,492)</u>
Net Change in Fund Balance	(143,492)
Fund Balance, July 1	2,046,187
Fund Balance, June 30	<u>\$ 1,902,695</u>

The accompanying notes are an integral part of this statement.

SIERRA COUNTY OFFICE OF EDUCATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds	\$ (143,492)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	28,942
The depreciation of capital assets used in governmental activities is not reported in the funds.	(46,778)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(569)
OPEB is reported as the amount earned in the SOA but as the amount paid in the funds.	<u>(14,761)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (176,658)</u>

The accompanying notes are an integral part of this statement.

SIERRA COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

A. Summary of Significant Accounting Policies

Sierra County Office of Education (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 accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The County Office of Education's combined financial statements include the accounts of all its operations. The County Office of Education evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County Office of Education's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County Office of Education holds the corporate powers of the organization
- the County Office of Education appoints a voting majority of the organization's board
- the County Office of Education is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County Office of Education
- there is fiscal dependency by the organization on the County Office of Education

The County Office of Education also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County Office of Education to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County Office of Education, its component units or its constituents; and 2) The County Office of Education or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County Office of Education.

Based on these criteria, the County Office of Education has no component units. Additionally, the County Office of Education is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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. The County Office of Education does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County Office of Education's funds, with separate statements presented for each fund category. 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 nonmajor funds.

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

The County Office of Education reports the following major governmental funds:

The General Fund is the County Office of Education's primary operating fund. It accounts for all financial resources of the County Office of Education except those required to be accounted for in another fund.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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. Nonexchange transactions, in which the County Office of Education gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are received. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County Office of Education considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County Office of Education incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County Office of Education's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

These budgets are revised by the County Office of Education's Board of Trustees and district superintendent during the year to give consideration to unanticipated income and expenditures. It is the final revised budget that is presented in the financial statements.

SIERRA COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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

5. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the County Office of Education maintains substantially all its cash in the Sierra County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

Information regarding the amount of dollars invested in derivatives with Sierra County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories are immaterial and have been omitted from these statements.

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

SIERRA COUNTY OFFICE OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

d. Receivable and Payable Balances

The County Office of Education believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the County Office of Education. The current portion of the liabilities is recognized in the General Fund at year end.

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 since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

f. Deferred Revenue

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Property Taxes

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. Unsecured property taxes are payable in one installment on or before August 31. The Counties of Sierra and Plumas bill and collect the taxes for the County Office of Education.

i. Equity Classifications

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Equalization, the County Office of Education maintains a Reserve for Economic Uncertainties to safeguard the County Office of Education's financial stability. The minimum recommended reserve for a County Office of Education of this size is a minimum of three percent of budgeted general fund expenditures and other financing uses. The County Office of Education's policy is to maintain the reserve at 10%. If the fund balance drops below 5%, it shall be recovered at a rate of at least 1% annually.

Government-Wide Financial Statements

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

Invested in Capital Assets, Net of Related Debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

k. Subsequent Event Evaluation

Management has evaluated subsequent events through October 5, 2012, the date the financial statements were available to be issued.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2012, the Office of Education had no expenditures in excess of appropriations.

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the County Office of Education maintains substantially all of its cash in the Sierra County Treasury as part of the common investment pool (\$14,515,775 as of June 30, 2012). The fair value of the County Office of Education's portion of this pool as of that date, as provided by the pool sponsor, was \$1,932,935. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances in the revolving fund (\$2,500) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investment Accounting Policy

The County Office of Education is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The County Office of Education's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

The County Office of Education's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 501,900			\$ 501,900
Equipment	179,059	28,942		208,001
Total capital assets being depreciated	<u>680,959</u>	<u>28,942</u>		<u>709,901</u>
Less accumulated depreciation for:				
Buildings and Improvements	(181,593)	(11,496)		(193,089)
Equipment	(72,455)	(35,282)		(107,737)
Total accumulated depreciation	<u>(254,048)</u>	<u>(46,778)</u>		<u>(300,826)</u>
Governmental activities capital assets, net	<u>\$ 426,911</u>	<u>\$ (17,836)</u>		<u>\$ 409,075</u>

Depreciation was charged to functions as follows:

Instruction	\$ 27,362
Instruction-Related Services	3,664
General Administration	4,257
Plant Services	11,495
	<u>\$ 46,778</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

The Office of Education had no due to or due from balances at June 30, 2012.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Forest Reserve Fund	General Fund	\$ 160,830	Transfer of resources to other funds.
	Total	<u>\$ 160,830</u>	

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 11,539	\$ 569	\$	\$ 12,108	
Other Post Employment Ben.	14,925	14,761		29,686	27,730
Total governmental activities	\$ 26,464	\$ 15,330	\$	\$ 41,794	\$ 27,730

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Other Post Employment Ben.	Governmental	General

H. Joint Ventures (Joint Powers Agreements)

The County Office participates in two Joint Powers Agreements (JPA's), the Tri-Counties Schools Insurance Group and the Northeastern JPA. The insurance groups arrange for and provide property, liability, health and worker's compensation insurance for their members. The County Office pays premiums comensurate with the level of coverage requested. These are partial self-insurance programs.

An executive committee consisting of representatives from each member's County Office/District governs the JPA's. The governing boards control the operations of their JPA's independent of any influence by the County Office beyond the County Office's representation on the governing boards.

The JPA's are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. The budget is not subject to any approval other than that of the executive committee. The relationship between the County Office and the JPA's is such that the JPA's are not component units of the County Office for financial reporting purposes.

Condensed financial information for the JPA's for June 30, 2012 was not available as of our report date.

I. Employee Retirement Systems

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

PERS:

Plan Description

The County Office of Education contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7% of their salary and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-12 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The County Office of Education's contributions to CalPERS for the fiscal year ending June 30, 2012, 2011 and 2010 were \$44,448, \$27,680 and \$39,299, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The County Office of Education contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

Funding Policy

Active plan members are required to contribute 8% of their salary and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The County Office of Education's contributions to STRS for the fiscal year ending June 30, 2012, 2011 and 2010 were \$26,056, \$25,895 and \$24,363, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the County Office of Education was \$11,055.

J. Commitments and Contingencies

Litigation

The County Office of Education is currently not involved in litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

K. Other Post Employment Benefits

During the fiscal year ending June 30, 2009, the Office of Education implemented Governmental Accounting Standards Board Statement No. 45 Accounting and Reporting for Postemployment Benefits Other than Pensions, for certain postemployment health care benefits provided by the Office of Education. The requirements of this Statement were

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

implemented prospectively, and accordingly, for financial reporting purposes, no liability is reported for the postemployment health care and life insurance benefits liability at the date of transition. The recognition of the liability accumulated from prior years will be phased in over 30 years.

Plan Description and Eligibility Requirements

The Office of Education provides certain postretirement healthcare benefits, as established by board policy, to eligible employees who retire from the District on or after attaining age 55 with at least 25 years of service including at least 5 years of service with the County Office of Education.

Medical Benefits: The Office of Education subsidizes single rate health insurance premiums, at the time of retirement, for the retiree's chosen medical plan until he/she reaches age 65, at which point coverage ceases. The retiree is responsible for self-paying any increases to his/her own future premiums while under age 65 and for paying 100% of all premiums for spouses or dependents of any age.

Dental Benefits: The Office of Education fully subsidizes the cost for the retiree's coverage until he/she reaches age 65, after which the retiree may continue coverage with no subsidy. The retiree is responsible for self-paying any costs associated with his/her coverage past age 65, plus the costs for spouses or dependents of any age.

Vision Benefits: The Office of Education fully subsidizes the single rate for retiree's coverage until he/she reaches age 65, at which point coverage ceases. No coverage is available for spouses or dependents of any age.

All contracts with Office of Education employees will be renegotiated periodically in the future, thus costs and benefits are subject to change. Benefits and contribution requirements for the Other Post Employment Benefits (OPEB) plan are established by various labor agreements.

For the Office of Education, OPEB benefits are administered by District personnel. No separate financial statements are issued.

The number of participants as of July 1, 2011, the effective date of the triennial OPEB valuation is 10 active employees and 1 retiree for a total of 11 participants.

Funding Policy

The Office of Education currently pays for post employment healthcare benefits on a pay-as-you-go basis. The Office of Education is considering creating a Trust Fund to accumulate assets for future retiree obligations. Due to the requirements of GASB No. 45, assets intended to fund future obligations are not considered to offset the unfunded benefit obligation until the assets are transferred to an irrevocable trust designed to pay for future OPEB costs. Currently, these financial statements assume that funding on a pay-as-you-go basis will continue.

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 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 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. Significant actuarial methods and assumptions are as follows:

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Plan Type	Projected Unit Method
Actuarial Valuation Date	July 1, 2011
Amortization Method	Level Percentage of Projected Payroll
Remaining Amortization Period	27 Years
Actuarial Assumptions:	
Investment Rate of Return	2.00%
Projected Salary Increases	1.00%
Healthcare Inflation Rate	5.00%

Annual OPEB Cost and Net OPEB Obligations

The following table shows the Office of Education's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Description	June 30, 2012
Normal Cost (service cost for one year)	\$ 19,952
Amortization of Unfunded Actuarial Accrued Liability	7,778
Interest on Normal Cost and Amortization	<u> </u>
Annual Required Contribution (ARC)	27,730
Interest on Net OPEB Obligation	<u> </u>
Adjustment to Annual Required Contribution	<u> </u>
Annual OPEB Cost (Expense)	27,730
Contribution toward the OPEB Cost (Expense Reduction)	<u>(12,969)</u>
Increase (Decrease) in Net OPEB Obligation	14,761
Net OPEB Obligation, Beginning of the Year	<u>14,925</u>
Net OPEB Obligation, End of the Year	<u>\$ 29,686</u>

The Office of Education's annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 21,054	\$ 12,065	57.31%	\$ 8,989
June 30, 2011	\$ 21,054	\$ 15,118	71.81%	\$ 14,925
June 30, 2012	\$ 27,730	\$ 12,969	46.77%	\$ 29,686

Funding Status and Funding Progress

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SIERRA COUNTY OFFICE OF EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

The funded status of the plan as of June 30, 2012 and the two preceding years are as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded ALL (UALL) b-a	Funded Ratio a/b	Covered Payroll (c)	UAAAL as a Percentage Of Covered Payroll ((b-a)/c)
06/30/10 \$		161,436	161,436		630,633	25.60%
06/30/11		161,436	161,436		630,633	25.60%
06/30/12		181,654	181,654		623,903	29.12%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. 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.

L. Related Party Transactions

Sierra County Office of Education serves only the Sierra-Piumas Joint Unified School District. As a result, the two entities are housed in the same building and share a common administration, including board members, and share office space and personnel. For the year ended June 30, 2012, the District charged the County Office \$27,629 for one half of the board members' health benefits; \$63,301 for the cost to operate one opportunity class; \$14,701 for the cost to operate career technical education classes, and \$90,048 for business related services. During the same period of time, the County Office charged the District \$230,420 for business related services.

M. Concentrations of Funding Risk

Due to the nature of the County Office's operating environment, the County Office is dependent on Federal and State funding to maintain the current level of services to its members. A significant recession beginning in December 2007 has created a climate of uncertainty for the Federal and State governments. As governmental agencies look to balance budgets and improve cash flow, funding for the County Office's programs may be at risk of being restructured, reduced, or eliminated.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SIERRA COUNTY OFFICE OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
<i>State Apportionments</i>	\$ 311,899	\$ 343,936	\$ 332,102	\$ (11,834)
<i>Local Sources</i>	65,000	62,345	72,953	10,608
<i>Federal Revenue</i>	840,336	654,842	635,847	(18,995)
<i>Other State Revenue</i>	544,188	539,064	471,857	(67,207)
<i>Other Local Revenue</i>	295,826	262,790	244,023	(18,767)
Total Revenues	<u>2,057,249</u>	<u>1,862,977</u>	<u>1,756,782</u>	<u>(106,195)</u>
Expenditures:				
Current:				
<i>Certificated Salaries</i>	323,343	315,720	315,490	230
<i>Classified Salaries</i>	314,989	327,356	323,108	4,248
<i>Employee Benefits</i>	314,926	325,456	325,199	257
<i>Books And Supplies</i>	41,223	47,144	18,132	29,012
<i>Services And Other Operating Expenditures</i>	425,389	433,404	272,146	161,258
<i>Other Outgo</i>	803,560	636,464	617,258	19,206
<i>Capital Outlay</i>		34,728	28,941	5,787
Total Expenditures	<u>2,223,430</u>	<u>2,120,272</u>	<u>1,900,274</u>	<u>219,998</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(166,181)</u>	<u>(257,295)</u>	<u>(143,492)</u>	<u>113,803</u>
Other Financing Sources (Uses):				
<i>Transfers In</i>	172,700	160,809	160,830	21
<i>Transfers Out</i>	(172,700)	(160,831)	(160,830)	1
Total Other Financing Sources (Uses)		<u>(22)</u>		<u>22</u>
Net Change in Fund Balance	<u>(166,181)</u>	<u>(257,317)</u>	<u>(143,492)</u>	<u>113,825</u>
Fund Balance, July 1	<u>2,046,188</u>	<u>2,046,188</u>	<u>2,046,187</u>	<u>(1)</u>
Fund Balance, June 30	<u>\$ 1,880,007</u>	<u>\$ 1,788,871</u>	<u>\$ 1,902,695</u>	<u>\$ 113,824</u>

SIERRA COUNTY OFFICE OF EDUCATION

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2012

The Sierra County Office of Education was established in 1956, and operates in an area of approximately 1,600 square miles in Plumas and Sierra Counties. There were no changes in the area of operation during the year. The County Office provides Special Education, Counseling, County School and Opportunity School services. Sierra County has one school district, the Sierra-Plumas Joint Unified School District.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Allen Wright	President	4 years expiring December, 2014
Sharon Dryden	Vice President	4 years expiring December, 2014
Todd York	Clerk	4 years expiring December, 2012
Mike Moore	Member	4 years expiring December, 2014
Vacant	Member	None

Administration

Stan Hardeman
Superintendent

Rose Asquith
Business Manager

SIERRA COUNTY OFFICE OF EDUCATION**SCHEDULE OF AVERAGE DAILY ATTENDANCE**

YEAR ENDED JUNE 30, 2012

TABLE C-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
County School Tuition	8.03	8.03	8.90	8.90
Opportunity Schools	2.21	2.21	2.14	2.14
Elementary totals	<u>10.24</u>	<u>10.24</u>	<u>11.04</u>	<u>11.04</u>
High School:				
County School Tuition	6.52	6.52	6.48	6.48
High School totals	<u>6.52</u>	<u>6.52</u>	<u>6.48</u>	<u>6.48</u>
ADA totals	<u>16.76</u>	<u>16.76</u>	<u>17.52</u>	<u>17.52</u>

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

SIERRA COUNTY OFFICE OF EDUCATION

SCHEDULE OF INSTRUCTIONAL TIME

YEAR ENDED JUNE 30, 2012

TABLE C-2

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2011-12 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	N/A	N/A	36,000	35,000	37,680	180	-	In Compliance
Grade 1	N/A	N/A	50,400	49,000	53,050	180	-	In Compliance
Grade 2	N/A	N/A	50,400	49,000	53,050	180	-	In Compliance
Grade 3	N/A	N/A	50,400	49,000	53,050	180	-	In Compliance
Grade 4	N/A	N/A	54,000	52,500	57,460	180	-	In Compliance
Grade 5	N/A	N/A	54,000	52,500	57,475	180	-	In Compliance
Grade 6	N/A	N/A	54,000	52,500	57,475	180	-	In Compliance
Grade 7	N/A	N/A	54,000	52,500	65,260	180	-	In Compliance
Grade 8	N/A	N/A	54,000	52,500	65,260	180	-	In Compliance
Grade 9	N/A	N/A	64,800	63,000	66,320	180	-	In Compliance
Grade 10	N/A	N/A	64,800	63,000	66,320	180	-	In Compliance
Grade 11	N/A	N/A	64,800	63,000	66,320	180	-	In Compliance
Grade 12	N/A	N/A	64,800	63,000	66,320	180	-	In Compliance

Offices of Education must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

SIERRA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2012

TABLE C-3

General Fund	Budget 2013 (see note 1)	2012	2011	2010
Revenues and other financial sources	\$ 1,315,323	\$ 1,917,612	\$ 2,713,924	\$ 1,747,326
Expenditures	1,581,228	1,900,274	1,995,716	1,643,661
Other uses and transfers out		160,830	612,432	
Total outgo	1,581,228	2,061,104	2,608,148	1,643,661
Change in fund balance (deficit)	(265,905)	(143,492)	105,776	103,665
Ending fund balance	\$ 1,636,790	\$ 1,902,695	\$ 2,046,187	\$ 1,327,979
Available reserves (see note 2)	\$ 1,577,626	\$ 1,858,238	\$ 1,925,970	\$ 1,325,979
Available reserves as a percentage of total outgo	99.8%	90.2%	73.8%	80.7%
Total long-term debt	\$ 44,373	\$ 41,794	\$ 26,464	\$ 21,162
Average daily attendance at P-2	17	17	18	19

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

The Office of Education's reserves remain above guidelines established by the State Department of Education. However, due to the State of California's economic problems, the Office of Education should be diligent in maintaining its reserves.

NOTES:

- 1 Budget 2013 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

SIERRA COUNTY OFFICE OF EDUCATION
*RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012*

TABLE C-4

All fund balance listed in the Office of Education's annual financial report reconcile to the fund balances in the audited financial statements.

No charter schools are chartered by Sierra County Office of Education.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

SIERRA COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

TABLE C-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Direct Program:			
Small Rural School Achievement Program	84.358	N/A	\$ 26,109
Passed Through State Department of Education:			
Special Education *	84.027	13379	80,990
Special Education Preschool Local *	84.027A	13682	7,342
Special Education Preschool *	84.173	13430	21,069
Special Education Pre K Staff Development *	84.173A	13431	1,500
Title X - McKinney-Vento Homeless Ed. *	84.196	14332	8,331
ARRA Special Ed. Local Assistance *	84.391	15003	13,281
ARRA State Fiscal Stabilization Fund *	84.394	24997	608
ARRA Education Jobs Fund	84.410	25152	220
Total Passed Through State Department of Education			<u>133,341</u>
Passed Through Sacramento County Office of Education:			
Title I - Basic Support *	84.010	14416	6,805
Total U. S. Department of Education			<u>166,255</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through Counties of Plumas and Sierra, California:			
Forest Reserve *	10.665	N/A	470,648
Total U. S. Department of Agriculture			<u>470,648</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 636,903</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

SIERRA COUNTY OFFICE OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sierra 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other Independent Auditor's Reports



Independent Auditor's Report

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

Board of Trustees
Sierra County Office of Education
Sierraville, California 96126

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sierra County Office of Education as of and for the year ended June 30, 2012, which collectively comprise the Sierra County Office of Education's basic financial statements and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-1 to 2012-2 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-1 to 2012-3 to be significant deficiencies.

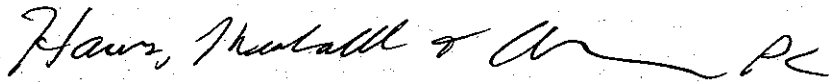
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sierra 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*.

Sierra County Office of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Sierra County Office of Education's response and, accordingly, we express no opinion on it.

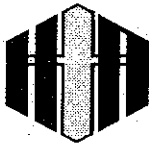
This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Haws, Theobald & Auman PC

October 5, 2012



Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees
Sierra County Office of Education
Sierraville, California 96126

Members of the Board of Trustees:

Compliance

We have audited Sierra County Office of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sierra County Office of Education's major federal programs for the year ended June 30, 2012. Sierra County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Sierra County Office of Education's management. Our responsibility is to express an opinion on Sierra County Office of Education's compliance based on our audit.

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

In our opinion, Sierra County Office of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-1 to 2012-2 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-1 to 2012-2 to be significant deficiencies.

Sierra County Office of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Sierra County Office of Education's responses and, accordingly, we express no opinion on the responses.

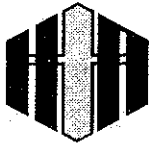
This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Haws, Theobald & Auman PC

October 5, 2012



Independent Auditor's Report

Report on State Compliance

Board of Trustees
 Sierra County Office of Education
 Sierraville, California 96126

Members of the Board of Trustees:

We have audited the basic financial statements of the Sierra County Office of Education ("County Office") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 5, 2012. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the County Office's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occurred. An audit includes examining, on a test basis, evidence about the County Office's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County Office's compliance with those requirements.

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

<u>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	N/A
Independent Study	23	N/A
Continuation Education	10	N/A
Instructional Time:		
School Districts	6	N/A
County Offices of Education	3	Yes
Instructional Materials, General Requirements		
Ratios of Administrative Employees to Teachers	8	Yes
Classroom Teacher Salaries	1	N/A
Early Retirement Incentive Program	1	N/A
	4	N/A

GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	N/A
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	N/A
Option One Classes	3	N/A
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Contemporaneous Records of Attendance, For Charter Schools	3	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based		
Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	4	N/A

The term "N/A" is used above to mean either the County Office did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

In our opinion, Sierra County Office of Education complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2011-12*, published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-3.

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

Respectfully submitted,



Haws, Theobald & Auman PC

October 5, 2012

Findings and Recommendations Section

SIERRA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Auditor's Results

1. **Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. **Federal Awards**

Internal control over major programs:

One or more material weaknesses identified? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.665	Forest Reserve

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

SIERRA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are
are not considered to be material weaknesses? X Yes None Reported

Type of auditor's report issued on compliance
for state programs: Unqualified

SIERRA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Yellow Book/Financial Statement Findings

Internal Control - Material Weakness

Finding 2012-1 Lack of Segregation of Duties (CDDC#30000)

Criteria upon which audit finding is based (Legal Citation)

Yellow Book paragraphs 5.10 - 5.14 and Appendix I, SAS No. 109.

Finding (Condition)

An inadequate segregation of duties exists.

Amount of Questioned costs, How Computed and Prevalence

None.

Effect

The Office of Education has exposure to risk of financial statement misstatement and the potential risk of fraud.

Cause

Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

Recommendation

We recommend that the Office of Education employees and Board maintain diligence for the potential risks of not having an adequate segregation of duties.

County Office of Education's Response

The Office of Education concurs with this finding.

SIERRA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Yellow Book/Financial Statement Findings (Continued)

Internal Control - Material Weakness

Finding 2012-2 Financial Reporting (CDDC#30000)

Criteria upon which audit finding is based (Legal Citation)

In accordance with Statement on Auditing Standards No. 115 (SAS 115), the Office of Education is responsible for preparing complete and accurate financial statements and footnote disclosures in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition)

Similar to many other small local educational agencies, the Office of Education does not have policies and procedures in place to ensure that complete and accurate financial statements, MD&A and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Amount of Questioned Costs, How Computed and Prevalence

None.

Effect

There is a risk that a material financial statement misstatement may exist and not be prevented or detected by the Office of Education's system of internal control.

Cause

This condition has always existed at the Office of Education, and is being reported in accordance with SAS 115.

Recommendation

We recommend that the Office of Education consider the cost benefit of hiring an accountant familiar with GAAP or contracting with an independent CPA firm to compile financial statements in conformity with GAAP.

County Office of Education's Response

The Office of Education has determined that the costs of correcting this control weakness outweigh the benefits to be received. The Office of Education will continue to rely on the independent auditor to prepare its annual financial statements.

SIERRA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

C. State Award Findings and Questioned Costs

Finding 2012-3 School Accountability Report Card (CDDC#72000)

Criteria upon which audit finding is based (Legal Citation)
Education Code Section 33126.

Finding (Condition)
The County Office did not prepare a School Accountability Report Card (SARC).

Amount of Questioned costs, How Computed and Prevalence
No questioned costs. This is a compliance finding only.

Effect
The Office of Education did not provide the public with the information required under Education Code 33126 in a timely manner.

Cause
An oversight in the preparation of the report.

Recommendation
The County Office should prepare a SARC every year.

Office of Educations Response
The Office of Education concurs with this finding.

SIERRA COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

D. Federal Award Findings and Questioned Costs

Internal Control - Material Weakness

See Yellow Book Findings 2012-1 and 2012-2. Findings also relate to the major programs listed below:

Program Name: Forest Reserve

Federal Agency: U.S. Department of Agriculture

Award Year: 2011-2012

Catalog Number: 10.665

Name of Pass-Through Entity: Counties of Plumas and Sierra, California

Internal Control - Other Significant Deficiencies Not Material Weaknesses

None.

Material Non-Compliance with Laws and Regulations

None.

Non-Material Non-Compliance with Laws and Regulations

None.

SIERRA COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<u>Finding 2011-1</u> Lack of Segregation of Duties	Not Implemented, See Current Year Finding 2012-1	
<u>Finding 2011-2</u> Financial Reporting	Not Implemented, See Current Year Finding 2012-2	

SIERRA COUNTY OFFICE OF EDUCATION

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2012

Person Monitoring Corrective Action Plan

County Superintendent, Stan Hardeman

Finding 2012-1 Lack of Segregation of Duties (CDDC#30000)

Finding (Condition)

Due to the number of employees an inadequate segregation of duties exists.

Corrective Action Planned

The County Office of Education accepts the responsibility for the internal controls for safeguarding the County Office assets including federal assets. The County Office believes that being aware of this weakness will insure that existing employees and Board members will maintain diligence to potential risks of not having adequate segregation of duties.

To ensure that appropriate internal controls are established and implemented to safeguard against potential risks, additional policies and procedures have been established to mitigate the risk. The following is an outline of the steps that have taken place:

I. Board policy has been established and adopted to direct financial staff to prepare corrective action plans for audit findings.

II. Board policy has been established and adopted for follow up reports certifying implementation of corrective action plan.

III. "Accounting Systems Flow Chart" establishing additional checks and reviews for all cash transactions to mitigate potential risk for fraud has been developed and implemented.

Expected Completion Date

Ongoing.

Finding 2012-2 Financial Reporting (CDDC#30000)

Finding (Condition)

The County Office is responsible for preparing complete and accurate financial statements, footnote disclosures, and management's discussion and analysis in accordance with Generally Accepted Accounting Principles (GAAP).

Corrective Action Planned

The County Office has determined that the costs of correcting this control weakness outweigh the benefits to be received and will continue to rely on the independent auditor to prepare its annual financial statements.

However, the County Office will strive to remain knowledgeable and up to date on accounting policies and principles through professional development and direct links to appropriate resources. The County Office will seek assistance from outside resources if and where needed.

Expected Completion Date

Ongoing.

SIERRA COUNTY OFFICE OF EDUCATION

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2012

Finding 2012-3 School Accountability Report Card (CDDC#72000)

Finding (Condition)

The County Office did not prepare a School Accountability Report Card (SARC).

Corrective Action Planned

The County Office will prepare a SARC annually.

Expected Completion Date

January 31, 2013.