BUTTE-GLENN COMMUNITY COLLEGE DISTRICT

SCHEDULE OF PROCEEDS AND USE OF GENERAL OBLIGATION BONDS
(ELECTION OF 2002, SERIES A AND B) WITH INDEPENDENT AUDITOR’S REPORT

FOR THE PERIOD JULY 1, 2006 THROUGH JUNE 30, 2007
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INDEPENDENT AUDITORS’ REPORT

Board of Trustees
Butte-Glenn
   Community College District
Oroville, California

We have audited the accompanying schedule of proceeds and use of general obligation bonds (Election of 2002, Series A and B) of the Butte-Glenn Community College District (District) for the period from July 1, 2006 through June 30, 2007. This schedule is the responsibility of the District’s management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of proceeds and use of general obligation bonds is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of proceeds and use of general obligation bonds. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule of proceeds and use of general obligation bonds. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the schedule of proceeds and use of general obligation bonds was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the schedule of proceeds and use of general obligation bonds referred to in the first paragraph presents fairly, in all material respects, the proceeds and use of the District’s General Obligation Bonds (Election 2002, Series A and B) for the period from July 1, 2006 through June 30, 2007, on the basis of accounting described in Note 2.

March 31, 2008
BEGINNING BALANCE, UNSPENT BOND PROCEEDS, AS OF JULY 1, 2006

$36,577,062

INTEREST RECEIVED

$2,426,351

PROJECT EXPENDITURES:

- Upgrade the fire - police training center
  - (6,116,753)

- Renovations and repairs of deteriorating, outdated facilities
  - (408)

- Learning Resource Center project
  - (381,742)

- Install energy efficient heating and air conditioning
  - -

- Rewire and upgrade systems to accommodate computers and internet access
  - (2,147,718)

- Improvements needed for health and safety
  - -

- Build permanent classrooms and structures to replace deteriorating 25 - 40 year old, temporary portable buildings
  - (16,614)

- Total project expenditures
  - (8,663,235)

ENDING BALANCE, UNSPENT BOND PROCEEDS, AS OF JUNE 30, 2007

$30,340,178

The accompanying notes are an integral part of these financial statements.
NOTE 1  GENERAL INFORMATION

To increase educational opportunities, raise student achievement, and improve conditions in its neighborhood campuses throughout Butte and Glenn counties, the voters of Butte and Glenn counties approved a $84.9 million General Obligation Bond (Bonds) issue for the Butte-Glenn Community College District (District) on March 5, 2002 under the provisions of Article XIIIA of the Constitution of the State of California and Title I, Division 1, Part 10, Chapter 1 of the Education Code of the State of California (commencing at Section 15100). The Bonds were issued pursuant to provisions of the Constitution of the State of California affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55% vote. The total net proceeds of $30.01 million and $38.35 million, from the Bonds Series A and B, respectively, received by the District (including premium and net of bond issuance costs) are to be spent on construction, renovation and land acquisition for various approved projects, or for the reduction of debt service related to this debt.

The specific projects approved by the District Board of Trustees to be funded by the bond proceeds include:

- Upgrade the fire - police training center
- Renovations and repairs of deteriorating, outdated facilities
- Learning Resource Center project
- Install energy efficient heating and air conditioning
- Rewire and upgrade systems to accommodate computers and internet access
- Improvements needed for health and safety
- Build permanent classrooms and structures to replace deteriorating 25 – 40 year old, temporary portable buildings

NOTE 2  SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The schedule of proceeds and use of general obligation bonds has been prepared on the cash basis of accounting, where the receipts of bond proceeds are reported when received and the disbursements of expenditures from bond funds are reported when paid.

(Continued on following page)
NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

BOND PROCEEDS

Bond proceeds are recorded at face value with bond premiums and issuance costs shown as separate items.

PROJECT EXPENDITURES

Expenditures are recognized when payments for approved projects are made.

NOTE 3 BONDED DEBT

In June 2002, $29,949,445 of the general obligation bonds (Series A) were sold as follows:

<table>
<thead>
<tr>
<th>Interest Rate %</th>
<th>Maturity Date</th>
<th>Amount of Original Issue</th>
<th>Outstanding June 30, 2006</th>
<th>Redeemed Current Period</th>
<th>Outstanding June 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0 - 8.125%</td>
<td>Feb 1, 2027</td>
<td>$29,949,445</td>
<td>$27,789,445</td>
<td>$305,000</td>
<td>$27,484,445</td>
</tr>
</tbody>
</table>

The annual debt service requirements to amortize the Series A bonds payable, outstanding as of June 30, 2007 are as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$ 360,000</td>
<td>$ 1,367,940</td>
<td>$ 1,727,940</td>
</tr>
<tr>
<td>2009</td>
<td>425,000</td>
<td>1,353,301</td>
<td>1,778,301</td>
</tr>
<tr>
<td>2010</td>
<td>495,000</td>
<td>1,335,963</td>
<td>1,830,963</td>
</tr>
<tr>
<td>2011</td>
<td>570,000</td>
<td>1,314,307</td>
<td>1,884,307</td>
</tr>
<tr>
<td>2012</td>
<td>650,000</td>
<td>1,289,551</td>
<td>1,939,551</td>
</tr>
<tr>
<td>2013 – 2017</td>
<td>4,615,000</td>
<td>5,921,635</td>
<td>10,536,635</td>
</tr>
<tr>
<td>2018 – 2022</td>
<td>7,780,000</td>
<td>4,326,793</td>
<td>12,106,793</td>
</tr>
<tr>
<td>2023 – 2027</td>
<td>12,589,445</td>
<td>2,168,619</td>
<td>14,758,064</td>
</tr>
<tr>
<td>Total</td>
<td>$ 27,484,445</td>
<td>$ 19,078,109</td>
<td>$ 46,562,554</td>
</tr>
</tbody>
</table>

(Continued on following page)
NOTE 3  BONDED DEBT  
(Continued)

In July 2005, $36,998,634 of the general obligation bonds (Series B) were sold as follows:

<table>
<thead>
<tr>
<th>Interest Rate %</th>
<th>Maturity Date</th>
<th>Amount of Original Issue</th>
<th>Outstanding June 30, 2006</th>
<th>Redeemed Current Period</th>
<th>Outstanding June 30, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0 - 5.0%</td>
<td>June 1, 2029</td>
<td>$36,998,634</td>
<td>$36,998,634</td>
<td>$1,180,000</td>
<td>$35,818,634</td>
</tr>
</tbody>
</table>

The annual debt service requirements to amortize the Series B bonds payable, outstanding as of June 30, 2007 are as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$</td>
<td>$1,706,695</td>
<td>$1,706,695</td>
</tr>
<tr>
<td>2009</td>
<td>105,000</td>
<td>1,705,120</td>
<td>1,810,120</td>
</tr>
<tr>
<td>2010</td>
<td>145,000</td>
<td>1,701,370</td>
<td>1,846,370</td>
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<tr>
<td>2011</td>
<td>255,000</td>
<td>1,695,370</td>
<td>1,950,370</td>
</tr>
<tr>
<td>2012</td>
<td>370,000</td>
<td>1,685,764</td>
<td>2,055,764</td>
</tr>
<tr>
<td>2013 – 2017</td>
<td>3,965,000</td>
<td>8,098,605</td>
<td>12,063,605</td>
</tr>
<tr>
<td>2018 – 2022</td>
<td>8,860,000</td>
<td>6,705,712</td>
<td>15,565,712</td>
</tr>
<tr>
<td>2023 – 2027</td>
<td>12,330,000</td>
<td>3,766,975</td>
<td>16,096,975</td>
</tr>
<tr>
<td>2028 – 2032</td>
<td>9,788,634</td>
<td>381,237</td>
<td>10,169,871</td>
</tr>
</tbody>
</table>

Total                  | $35,818,634| $27,446,848| $63,265,482 |

NOTE 4  RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS

The following is a reconciliation of project expenditures between the cash and accrual basis of accounting for the period from July 1, 2006 through June 30, 2007:

- Expenditures - cash basis $8,663,235
- Change in accounts payable -
- Change in contract retentions payable 1,429,726
- Expenditures - accrual basis $10,092,961

(Continued on following page)
NOTE 4  RECONCILIATION BETWEEN CASH AND ACCRUAL BASIS  
(Continued)

Interest income - cash basis                        $ 2,426,351  
Change in arbitrage rebate payable                  (170,220)  
Change in interest receivable                       (27,709)  
Interest income - accrual basis                     $ 2,228,422

NOTE 5  COMMITMENTS AND CONTINGENCIES

Bond Fund Compliance – The General Obligation Bonds (Election of 2002,  
Series A and B) are subject to financial and compliance audits annually. Refer to  
the Independent Auditors’ Report on Compliance with Article XIII A of the  
Constitution of the State of California on the Proceeds and Use of General  
Obligation Bonds, which is included in this report.

Construction Contracts – The District has outstanding construction commitments  
related to these bond funds of $4,817,315 at June 30, 2007.
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE WITH
ARTICLE XIII A OF THE CONSTITUTION OF THE STATE
OF CALIFORNIA ON THE PROCEEDS AND USE OF GENERAL
OBLIGATION BONDS (ELECTION OF 2002, SERIES A AND B)

Board of Trustees
Butte-Glenn
Community College District
Oroville, California

We have examined the Butte-Glenn Community College District’s compliance with Article XIII A
of the Constitution of the State of California on the proceeds and use of general obligation
bonds (Election of 2002, Series A and B) for the period from July 1, 2006 through June 30,
2007. The compliance requirements are as follows:

The Board of Trustees evaluated the list of specific projects to address the
District’s needs for safety and information technology.

Funds were properly expended for the specific projects on the Board of Trustee’s
published list.

Funds were used for financing the acquisition, construction and modernization of
certain property and District facilities, and no funds were used for teacher and
administrator salaries and other school operating expenses.

Management is responsible for Butte-Glenn Community College District’s compliance with those
requirements. Our responsibility is to express an opinion on Butte-Glenn Community College
District’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the
American Institute of Certified Public Accountants and, accordingly, included examining, on a
test basis, evidence about Butte-Glenn Community College District’s compliance with those
requirements and by performing such other procedures as we considered necessary in the
circumstances. We believe that our examination provides a reasonable basis for our opinion.
Our examination does not provide a legal determination on Butte-Glenn Community College
District’s compliance with specified requirements.

In our opinion, Butte-Glenn Community College District complied, in all material respects, with
the aforementioned requirements for the period from July 1, 2006 through June 30, 2007.
This report is intended solely for the information and use of the District's management, the Board of Trustees, the Bond Oversight Committee, and state regulatory officials and is not intended to be and should not be used by anyone other than these specified parties.

March 31, 2008