



Financial Statements  
June 30, 2021

# Solano County Office of Education

Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	4
Government Wide Financial Statements	
Statement of Net Position .....	9
Statement of Activities.....	10
Government Fund Financial Statements	
Balance Sheet – Governmental Funds .....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Fiduciary Fund Financial Statements	
Statement of Net Position – Fiduciary Funds .....	16
Statement of Changes in Net Position – Fiduciary Funds .....	17
Notes to Financial Statements .....	18
Required Supplementary Information	
Budgetary Comparison Schedule – County School Service Fund .....	53
Budgetary Comparison Schedule – Special Education Pass-Through Fund .....	54
Schedule of Changes in the COE’s Total OPEB Liability and Related Ratios .....	55
Schedule of Proportionate Share of the Net Position Liability .....	56
Schedule of COE Contributions .....	57
Notes to Required Supplementary Information .....	58
Supplementary Information	
Schedule of Expenditures of Federal Awards .....	60
Local Education Agency Organization Structure.....	62
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements .....	63
Schedule of Financial Trends and Analysis .....	64
Schedule of Charter Schools .....	65
Combining Balance Sheet – Non-Major Governmental Funds .....	66
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds.....	67
Notes to Supplementary Information.....	68
Independent Auditor’s Reports	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	71
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance .....	73
Independent Auditor’s Report on State Compliance.....	75

Schedule of Findings and Questioned Costs

Summary of Auditor's Results.....	79
Financial Statement Findings .....	80
Federal Awards Findings and Questioned Costs.....	81
State Compliance Findings and Questioned Costs.....	82
Summary Schedule of Prior Audit Findings.....	83



## Independent Auditor's Report

County Superintendent of Schools  
Solano County Office of Education  
Fairfield , California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Solano County Office of Education (the COE) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the COE's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Solano County Office of Education, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in the COE's total OPEB liability and related ratios, schedule of the COE's proportionate share of the net pension liability, and the schedule of COE contributions as listed 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Solano County Office of Education's basic financial statements. The supplementary information such as local education agency organization structure, reconciliation of annual financial and budget report with audited financial statements, schedule of financial trends and analysis, schedule of charter schools, combining non-major governmental fund financial statements, are presented for purpose of additional analysis and are not a required part of the fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the Solano County Office of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Solano County Office of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Solano County Office of Education's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

San Ramon, California  
December 14, 2021

## Introduction

This section of the Solano County Office of Education's (the COE) annual financial report presents our discussion and analysis of the COE's financial performance during the fiscal year that ended on June 30, 2021 with comparative information for the year ended June 30, 2020. Please read it in conjunction with the COE's financial statements, which immediately follow this section.

## Overview of the Financial Statements

Management's discussion and analysis acts as an introduction to the basic financial statements. The basic financial statements are composed of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The statements are followed by a section of required supplementary information that contains additional financial information.

## Financial Highlights

- The COE's County School Service Fund (General Fund) revenues increased by \$2,499,878 from June 30, 2020 to June 30, 2021. While the unrestricted revenues decreased \$1,536,967, the restricted increased \$4,036,845.
- Local Control Funding Formula (LCFF) revenue totaled \$18,787,306 as compared to \$19,000,824 in the prior year.
- Total County School Service Fund expenditures increased by \$2,178,078 or 4.2%.
- The COE ended the year in the County School Service Fund with an ending balance of \$37,314,691 which is an increase of \$2,468,909.
- The total capital assets, net of accumulated depreciation, are \$15,277,744.

## Government-Wide Financial Statements

The government-wide financial statements are intended to give readers a broad overview of the COE's finances in a format that is similar to a private-sector business.

The Statement of Net Position presents information on all of the COE's assets, including deferred outflows of resources and liabilities, including deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the COE is improving or worsening. A one- or two-year trend in a particular direction (up or down) may be due to temporary or planned circumstances, and may not be indicative of the COE's overall, ongoing fiscal position.

The Statement of Activities presents information on how the COE's net position changed during the year. This statement is similar to an income statement in private business. It summarizes the COE's revenues and expenditures based on function. Therefore, the Statement of Activities includes revenues that had been earned but not received, and expenditures that had been incurred but not paid out, as of June 30, 2021.

**Fund Financial Statements**

A fund is a fiscal and accounting entity with a self-balancing set of accounts. It records cash and other financial resources together with all related liabilities and residual balances. Funds used in accounting for local education agencies include governmental funds, proprietary funds and fiduciary funds.

*Governmental funds:* Most of the COE's financial activities are reported in governmental funds. The COE operates five governmental funds. The largest fund is the County School Service Fund, which accounts for day-to-day financial activities of the COE. Governmental funds focus on near-term inflows and outflows of expendable resources, as well as on the balances of those resources that are available at the end of the fiscal year. This information is helpful in determining the COE's near-term financing needs.

**Financial Analysis of the Government-Wide Financial Statements**

Table 1 summarizes the COE's net position as of June 30:

	2021	2020
Current assets	\$ 73,010,138	\$ 52,748,434
Capital assets	15,277,744	13,315,186
Total assets	88,287,882	66,063,620
Deferred outflows of resources	14,031,642	10,653,120
Current liabilities	29,385,639	15,969,560
Long term liabilities	61,079,489	53,190,350
Total liabilities	90,465,128	69,159,910
Deferred inflows of resources	4,174,978	6,570,846
Net investment in capital assets	15,226,303	13,274,579
Restricted	13,369,114	7,797,911
Unrestricted	(20,915,999)	(20,086,506)
Total Net Position	\$ 7,679,418	\$ 985,984



Table 2 summarizes the COE's change in net position for the year ended June 30:

	Governmental Activities	
	2021	2020
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 7,030,232	\$ 7,515,256
Operating grants and contributions	49,785,080	43,116,660
Capital grants and contributions	6,902,092	523,241
General revenues		
Federal and State aid not restricted	7,108,344	7,059,086
Property taxes	12,522,946	12,540,936
Other general revenues	3,521,921	5,987,876
Total revenues	<u>86,870,615</u>	<u>76,743,055</u>
<b>Expenses</b>		
Instruction-related	32,878,261	33,258,340
Pupil services	10,412,270	9,358,849
Administration	10,838,920	9,674,315
Plant services	2,430,783	2,312,335
All other services	23,616,947	22,378,376
Total expenses	<u>80,177,181</u>	<u>76,982,215</u>
Change in net position	<u>\$ 6,693,434</u>	<u>\$ (239,160)</u>

As reported in the *Statement of Activities* on page 10, the cost of all of our governmental activities this year was \$80,177,181. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$12,522,946 because the cost was paid by those who benefited from the programs (\$7,030,232) or by other governments and organizations who subsidized certain programs with grants and contributions (\$56,687,172). We paid for the remaining "public benefit" portion of our governmental activities with \$7,108,344 federal and state funds and \$3,521,921 other revenues such as interest and general entitlements.

**Financial Analysis of the Individual Funds**

As the COE completed this year, our governmental funds reported a combined fund balance of \$43,624,499, which is an increase of \$6,845,625 from last year (Table 3).

Governmental Fund	Balances and Activity			June 30, 2021
	June 30, 2020	Revenues	Expenditures	
General	\$ 34,845,782	\$ 56,956,359	\$ 54,487,450	\$ 37,314,691
Special Education Pass-Through	-	21,903,809	21,903,809	-
Adult Education	174,165	246,066	306,831	113,400
Child Development	10,650	671,010	671,473	10,187
County School Facilities	1,748,277	6,902,092	2,464,148	6,186,221
<b>Total</b>	<b>\$ 36,778,874</b>	<b>\$ 86,679,336</b>	<b>\$ 79,833,711</b>	<b>\$ 43,624,499</b>

The primary reasons for these increases/decreases are:

**General Fund** - The General Fund increased by \$2,468,909 primarily due to the receipt of additional revenue.

**Special Education Pass-Through Fund** – The Special Education Pass-Through Fund was established in 2011-12. Funds are passed through to member districts.

**Adult Education Fund** - The Adult Education Fund decreased by \$60,765 primarily due to the utilization of prior year carryover.

**Child Development Fund** – The Child Development Fund remains fairly stable from the prior year showing a net decrease of \$463.

**County School Facilities Fund** - The County School Facilities Fund increased by \$4,437,944 primarily due to the receipt of additional revenue.

**General Fund Budgetary Highlights**

Over the course of the year, the COE revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. In 2020-2021, significant revenue budget revision was primarily due to new programs/grants. The final 2020-2021 budget was adopted on June 24, 2020. (A schedule showing the COE's original and final budget amounts compared with amounts actually paid and received is provided in our annual report as listed in the table of contents).

### Capital Assets

As of June 30, 2021, the County Office had \$15,277,744 in capital assets, net of accumulated depreciation.

	2021	2020	Percent Change
Land	\$ 1,464,659	\$ 1,464,659	0.00%
Land Improvements	434,200	469,684	(7.55)%
Buildings and Improvements	10,336,487	9,671,589	6.87%
Furniture and Equipment	422,998	510,700	(17.17)%
Construction in Progress	2,619,400	1,198,554	118.55%
<b>Total</b>	<b>\$ 15,277,744</b>	<b>\$ 13,315,186</b>	<b>14.74%</b>

We present more detailed information about capital assets in the Notes to Financial Statements.

### Long-Term Liabilities

At June 30, 2021, the County Office had \$61,079,489 in long-term liabilities.

	2021	2020	Percent Change
Capital leases	\$ 51,441	\$ 40,607	26.68%
Compensated absences	622,565	421,276	47.78%
Other postemployment benefits (OPEB) liability	10,730,646	8,283,219	29.55%
Aggregate net pension liability	49,674,837	44,445,248	11.77%
<b>Total</b>	<b>\$ 61,079,489</b>	<b>\$ 53,190,350</b>	<b>14.83%</b>

We present more detailed information about long-term liabilities in the Notes to Financial Statements.

### Factors Impacting the County Office's Future

The County Office is faced with the same economic pressures as districts and county offices throughout the state. The financial well-being of the County Office is determined in large part due to the state funding formula. The County Office continues to work closely with its districts to monitor their fiscal positions.

### Contacting the County Office's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, 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 any questions regarding this report or need additional financial information, contact the Business Department at Solano County Office of Education, 5100 Business Center Drive, Fairfield, CA 94534-1658 (707) 399-4419.

Solano County Office of Education  
Statement of Net Position  
June 30, 2021

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 42,456,905
Receivables	29,898,222
Prepaid expense	655,011
Capital assets not depreciated	4,084,059
Capital assets, net of accumulated depreciation	11,193,685
Total assets	88,287,882
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	11,287,736
Deferred outflows of resources related to OPEB	2,743,906
Total deferred outflows of resources	14,031,642
<b>Liabilities</b>	
Accounts payable	28,272,151
Unearned revenue	1,113,488
Long-term liabilities	
Long-term liabilities other than OPEB and pension due within one year	25,886
Long-term liabilities other than OPEB and pension due in more than one year	648,120
Total other postemployment benefits liability (OPEB)	10,730,646
Aggregate net pension liabilities	49,674,837
Total liabilities	90,465,128
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to OPEB liability	1,042,869
Deferred inflows of resources related to pensions	3,132,109
Total deferred inflows of resources	4,174,978
<b>Net Position</b>	
Net investment in capital assets	15,226,303
Restricted for:	
Capital projects	6,186,221
Educational programs	7,182,893
Unrestricted	(20,915,999)
Total Net Position	\$ 7,679,418

Solano County Office of Education  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues Charges for for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position  Governmental Activities
Governmental Activities					
Instruction	\$ 22,914,716	\$ 3,296,518	\$ 14,379,474	\$ 6,902,092	\$ 1,663,368
Instruction-related activities					
Supervision of instruction	7,659,793	343,723	4,867,413	-	(2,448,657)
School site administration	2,303,752	278,309	1,166,621	-	(858,822)
Pupil services					
Home-to-school transportation	1,463,192	-	-	-	(1,463,192)
All other pupil services	8,949,078	786,762	6,418,562	-	(1,743,754)
Administration					
Data processing	2,220,023	-	-	-	(2,220,023)
All other administration	8,618,897	373,568	2,100,257	-	(6,145,072)
Plant services	2,430,783	171,713	895,594	-	(1,363,476)
Ancillary services	1,709,390	-	1,531,836	-	(177,554)
Interest on long-term obligations	3,748	-	-	-	(3,748)
Other outgo	21,903,809	1,779,639	18,425,323	-	(1,698,847)
<b>Total Governmental Activities</b>	<b>\$ 80,177,181</b>	<b>\$ 7,030,232</b>	<b>\$ 49,785,080</b>	<b>\$ 6,902,092</b>	<b>(16,459,777)</b>

Solano County Office of Education  
Statement of Activities  
Year Ended June 30, 2021

---

General revenues and subventions:	
Property taxes, levied for general purposes	12,128,625
Taxes levied for other specific purposes	394,321
Federal and State aid not restricted to specific purposes	7,108,344
Interest and investment earnings	322,186
Interagency revenues	45,978
Miscellaneous	<u>3,153,757</u>
Subtotal, General Revenues	<u>23,153,211</u>
Change in Net Position	6,693,434
Net Position - Beginning	<u>985,984</u>
Net Position - Ending	<u><u>\$ 7,679,418</u></u>

Solano County Office of Education

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 35,574,941	\$ -	\$ 6,881,964	\$ 42,456,905
Receivables	16,480,884	12,902,373	514,965	29,898,222
Due from other funds	611,741	11,525,579	54,091	12,191,411
Prepaid expenditures	655,011	-	-	655,011
<b>Total Assets</b>	<b>\$ 53,322,577</b>	<b>\$ 24,427,952</b>	<b>\$ 7,451,020</b>	<b>\$ 85,201,549</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,314,728	\$ 24,427,952	\$ 529,471	\$ 28,272,151
Due to other funds	11,579,670	-	611,741	12,191,411
Unearned revenue	1,113,488	-	-	1,113,488
<b>Total Liabilities</b>	<b>16,007,886</b>	<b>24,427,952</b>	<b>1,141,212</b>	<b>41,577,050</b>
<b>Fund Balances</b>				
Nonspendable	670,011	-	-	670,011
Restricted	7,071,821	-	6,297,293	13,369,114
Assigned	5,328,332	-	12,515	5,340,847
Unassigned	24,244,527	-	-	24,244,527
<b>Total Fund Balance</b>	<b>37,314,691</b>	<b>-</b>	<b>6,309,808</b>	<b>43,624,499</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 53,322,577</b>	<b>\$ 24,427,952</b>	<b>\$ 7,451,020</b>	<b>\$ 85,201,549</b>

Solano County Office of Education  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2021

---

Total Fund Balance - Governmental Funds		\$ 43,624,499
<p>Amounts Reported for Governmental Activities in the Statement          of Net Position are Different Because:</p>		
<p>Capital assets used in governmental activities are not financial resources          and, therefore, are not reported as assets in governmental funds.          The cost of capital assets is</p>		
	\$ 29,942,985	
Accumulated depreciation is	<u>(14,665,241)</u>	
Net Capital Assets		15,277,744
<p>Deferred outflows of resources represent a consumption of net          position in a future period and is not reported in the governmental          funds. Deferred outflows of resources amounted to and related to          pension and OPEB liabilities</p>		
		14,031,642
<p>Deferred inflows of resources represent an acquisition of net position          that applies to a future period and is not reported in the governmental          funds. Deferred inflows of resources amount to and related to          pension and OPEB liabilities</p>		
		(4,174,978)
<p>OPEB liability is not due and payable in the current period, and is not          reported as a liability in the funds.</p>		
		(10,730,646)
<p>Net pension liability is not due and payable in the current period, and          is not reported as a liability in the funds.</p>		
		(49,674,837)
<p>Long-term liabilities at year-end consist of:</p>		
Capital leases	(51,441)	
Compensated absences (vacations)	<u>(622,565)</u>	
Total long-term liabilities		<u>(674,006)</u>
Total Net Position - Governmental Activities		<u><u>\$ 7,679,418</u></u>



Solano County Office of Education  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Control Funding Formula	\$ 18,787,306	\$ -	\$ -	\$ 18,787,306
Federal sources	4,189,538	9,147,231	295,430	13,632,199
Other state sources	19,115,696	12,756,578	7,389,381	39,261,655
Other local sources	14,813,598	-	134,357	14,947,955
<b>Total Revenues</b>	<b>56,906,138</b>	<b>21,903,809</b>	<b>7,819,168</b>	<b>86,629,115</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	21,916,116	-	-	21,916,116
Instruction-related activities				
Supervision of instruction	6,616,142	-	634,878	7,251,020
School site administration	2,167,837	-	-	2,167,837
Pupil services				
Home-to-school transportation	1,118,265	-	-	1,118,265
All other pupil services	8,521,462	-	267,206	8,788,668
Administration				
Data processing	2,056,012	-	-	2,056,012
All other administration	8,013,525	-	76,220	8,089,745
Plant services	2,298,483	-	-	2,298,483
Ancillary services	1,641,622	-	-	1,641,622
Other outgo	-	21,903,809	-	21,903,809
Facility acquisition and construction	103,831	-	2,464,148	2,567,979
Debt service				
Principal	30,407	-	-	30,407
Interest and other	3,748	-	-	3,748
<b>Total expenditures</b>	<b>54,487,450</b>	<b>21,903,809</b>	<b>3,442,452</b>	<b>79,833,711</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,418,688</b>	<b>-</b>	<b>4,376,716</b>	<b>6,795,404</b>
<b>Other Financing Sources (Uses)</b>				
Other sources	50,221	-	-	50,221
<b>Net Financing Sources (Uses)</b>	<b>50,221</b>	<b>-</b>	<b>-</b>	<b>50,221</b>
<b>Net Change in Fund Balances</b>	<b>2,468,909</b>	<b>-</b>	<b>4,376,716</b>	<b>6,845,625</b>
<b>Fund Balance - Beginning</b>	<b>34,845,782</b>	<b>-</b>	<b>1,933,092</b>	<b>36,778,874</b>
<b>Fund Balance - Ending</b>	<b>\$ 37,314,691</b>	<b>\$ -</b>	<b>\$ 6,309,808</b>	<b>\$ 43,624,499</b>

Solano County Office of Education

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds Amounts Reported for Governmental Activities in the Statement of Activities are Different Because: \$ 6,845,625

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (699,718)	
Capital outlays	2,668,362	
Net Expense Adjustment		1,968,644

Loss on disposal of capital assets is reported in the Statement of Activities, but is not recorded in the government funds. (6,086)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. The capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position. (41,241)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used. (201,289)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (1,492,821)

In the governmental funds, OPEB costs are based on employer contributions made to pension plans during the year. However, in the Statement of OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (409,805)

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. 30,407

Change in Net Position of Governmental Activities \$ 6,693,434

Solano County Office of Education  
Statement of Net Position – Fiduciary Funds  
June 30, 2021

---

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 4,908,296</u>
Total assets	<u>4,908,296</u>
Liabilities	
Due to other governments	<u>4,908,296</u>
Total liabilities	<u>4,908,296</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>-</u>
Total net position	<u><u>\$ -</u></u>

Solano County Office of Education  
Statement of Changes in Net Position – Fiduciary Funds  
Year Ended June 30, 2021

---

	Custodial Funds
Additions	
Funds collected from other	\$ 357,718,492
Total additions	357,718,492
Deductions	
Funds distributed to others	357,718,492
Total deductions	357,718,492
Net increase (decrease) in fiduciary net position	-
Net Position - Beginning	-
Net Position - Ending	\$ -

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Solano County Office of Education (the COE) was organized under the laws of the State of California. The COE operates under a locally elected County Superintendent of Schools form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The COE is the administrative agency for one Special Educational Local Plan Area and operates special education classes at various school sites within the County of Solano. The COE operates education programs at Juvenile Hall and community school sites.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the COE consists of all funds, departments, boards, and agencies that are not legally separate from the COE. For the COE, this includes general operations and student related activities of the COE.

### **Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The COE's funds are grouped into governmental funds.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

### **Major Governmental Funds**

**County School Service (General) Fund** The County School Service (General) Fund is the chief operating fund for all LEAs. It is used to account for ordinary operations of the COE. All transactions except those accounted for in another fund are accounted for in this fund.

**Special Education Pass-Through Fund** The Special Education Pass-Through Fund was established during 2011-12. This fund is used by the COE to account for Special Education revenue passed through to other member LEAs. Revenues typically reported in this Fund include State special education apportionments, Federal local assistance under the Individuals with Disabilities Education Act, Federal preschool funding, and State mental health funding.

**Non-Major Governmental Funds**

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

**County School Facilities Fund** The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State Schools Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the District and are not available to support the COE's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the COE under a trust agreement for individuals, private organizations, or other governments. The COE does not have trust funds. Custodial funds are used to account for resources, not in a trust, that are held by the COE for other parties outside the COE's reporting entity. The COE's custodial funds are Warrant Pass-Through Funds.

**Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The COE does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the COE. Eliminations have been made to deal with the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the COE. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the COE.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The COE considers revenues to be available if they are collected within one year after year end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the COE receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue** Unearned revenue arises when resources are received by the COE before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the COE has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

The COE's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### **Investments**

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

### **Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.



**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the COE. The COE maintains a capitalization threshold of \$50,000. The COE does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Land improvements	5 to 30 years
Building and improvements	25 to 50 years
Furniture and equipment	5 to 10 years

**Interfund Balances**

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

**Compensated Absences**

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the SCOE's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

**Accrued Liabilities and Long-Term Liabilities**

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The COE reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The COE reports deferred inflows of resources for pension related and OPEB related items.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the COE Plan and additions to/deductions from the COE Plan have been determined on the same basis as they are reported by the COE Plan. For this purpose, the COE Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the County School Service Fund.

### **Fund Balances - Governmental Funds**

As of June 30, 2021, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the COE's highest level of decision-making authority. The Superintendent is the highest level of decision-making authority for the COE. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the County Superintendent of Schools. The COE currently does not have any committed funds.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the COE's practice, only the chief business officer/deputy superintendent of administrative services and operations may assign amounts for specific purposes.

**Unassigned** - all other unrestricted spendable amounts. It is the COE's practice to maintain an amount equal to at least three percent of the County School Service Fund annual expenditures for Economic Uncertainties.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the COE considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the COE considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the highest level of decision-making authority has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

The County Superintendent of Schools adopted a minimum fund balance policy for the County School Service Fund in order to protect the COE against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of County School Service Fund expenditures and other financing uses.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position, net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The COE has no related debt outstanding as of June 30, 2021. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the COE or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The COE first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The government wide financial statements report \$13,369,114 of restricted net position.

**Interfund Activity**

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

**Estimates**

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

**Property Tax**

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

**Change in Accounting Principles****Implementation of GASB Statement No. 84**

As of July 1, 2020, the COE adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The impact of GASB 84 implementation is the inclusion of the Custodial Fund with no beginning balance, therefore, no restatement is required.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 42,456,905
Fiduciary funds	<u>4,908,296</u>
Total Deposits and Investments	<u><u>\$ 47,365,201</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Revolving cash	\$ 15,000
Investments	<u>47,350,201</u>
Total Deposits and Investments	<u><u>\$ 47,365,201</u></u>

**Policies and Practices**

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

**Investment in County Treasury** - The COE is considered to be an involuntary participant in an external investment pool as the COE is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the COE's investment in the pool is reported in the accounting financial statements at amounts based upon the COE's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The COE does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The COE manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Weighted Average Maturity**

The COE monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the COE's portfolio is presented in the following schedule:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
County Pool	<u>\$ 47,350,201</u>	1.00

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The COE does not have a policy for credit risk. The COE's investment in the County Pool is not required to be rated, nor has it been rated as of June 30, 2021.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the COE's deposits may not be returned to it. The COE does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the COE's bank balance of \$15,000 was not exposed to custodial credit risk.

**Note 3 - Fair Value Measurements**

The COE’s investments in the Solano County Treasury Investment Pool are considered uncategorized in the fair value hierarchy.

**Note 4 - Receivables**

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, and other local sources. All receivables are considered collectible in full.

	County School Service Fund	Special Education Pass-through Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 2,269,010	\$ 10,028,033	\$ 148,080	\$ 12,445,123
State Government				
Principal Apportionment	2,197,305	-	-	2,197,305
Categorical aid	10,250,100	2,874,340	366,885	13,491,325
Lottery	55,734	-	-	55,734
Local Government				
Other local sources	1,708,735	-	-	1,708,735
Total	\$ 16,480,884	\$ 12,902,373	\$ 514,965	\$ 29,898,222



**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,464,659	\$ -	\$ -	\$ 1,464,659
Construction in Progress	1,198,554	2,315,295	(894,449)	2,619,400
	2,663,213	2,315,295	(894,449)	4,084,059
Capital Assets Being Depreciated				
Land improvements	2,404,969	-	(64,002)	2,340,967
Buildings and improvements	19,941,608	1,146,143	(121,944)	20,965,807
Furniture and equipment	2,779,319	101,373	(328,540)	2,552,152
	25,125,896	1,247,516	(514,486)	25,858,926
	27,789,109	3,562,811	(1,408,935)	29,942,985
Less accumulated depreciation				
Land improvements	1,935,285	35,484	(64,002)	1,906,767
Buildings and improvements	10,270,019	478,159	(118,858)	10,629,320
Furniture and equipment	2,268,619	186,075	(325,540)	2,129,154
	14,473,923	699,718	(508,400)	14,665,241
	13,315,186	2,863,093	(900,535)	15,277,744
Governmental Activities Capital Assets, Net				
	\$ 13,315,186	\$ 2,863,093	\$ (900,535)	\$ 15,277,744

Depreciation expense was charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 192,149
School site administration	21,004
Home-to-school transportation	74,093
Community services	1,985
All other administration	160,249
Data processing	82,188
Plant services	168,050
	699,718
Total Depreciation Expenses Governmental Activities	\$ 699,718

**Note 6 - Interfund Transactions**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	County School Service Fund	Special Education Pass-through Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 11,525,579	\$ 54,091	\$ 11,579,670
Non-Major Governmental Funds	611,741	-	-	611,741
<b>Total</b>	<b>\$ 611,741</b>	<b>\$ 11,525,579</b>	<b>\$ 54,091</b>	<b>\$ 12,191,411</b>

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Note 7 - Accounts Payable**

Accounts payable at June 30, 2021, consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 84,274	\$ -	\$ -	\$ 84,274
State Government				
Categorical aid	69,932	24,427,952	-	24,497,884
Local Government				
Categorical aid	3,036	-	-	3,036
Vendor payables	2,670,243	-	529,471	3,199,714
Salaries and benefits	487,243			487,243
<b>Total</b>	<b>\$ 3,314,728</b>	<b>\$ 24,427,952</b>	<b>\$ 529,471</b>	<b>\$ 28,272,151</b>

**Note 8 - Unearned Revenue**

Unearned revenue at June 30, 2021, consists of the following:

	County School Service Fund
Federal financial assistance	\$ 104,993
State categorical aid	778,148
Other local	230,347
Total	\$ 1,113,488

**Note 9 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

The changes in the COE's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Beginning Balance	Additions	Deductions	Balance June 30, 2021	Due in One Year
Compensated absences	\$ 421,276	\$ 201,289	\$ -	\$ 622,565	\$ -
Capital leases	40,607	41,241	(30,407)	51,441	25,886
	\$ 461,883	\$ 242,530	\$ (30,407)	\$ 674,006	\$ 25,886

Payments on the capital leases are paid by the County School Service Fund. The compensated absences will be paid by the fund for which the employee worked.

**Compensated absences**

Compensated absences (unpaid employee vacation) for the COE at June 30, 2021, amounted to \$622,565.

**Capital Leases**

The COE has entered into agreements to lease equipment and vehicles. Such agreements are in substance, purchases (capital leases) and are reported as capital lease obligations. The COE's liability on the lease agreements with options to purchase is summarized below:

Year Ending June 30,	Lease Payment
2022	\$ 25,886
2023	10,044
2024	10,044
2025	10,044
2026	2,511
Subtotal	58,529
Less: Amount Representing Interest	(7,088)
Present Value of Minimum Lease Payments	<u>\$ 51,441</u>

Leased equipment and vehicles under capital leases in capital assets at June 30, 2021, include the following:

Equipment	\$ 104,123
Vehicles	149,093
Less: Accumulated depreciation	<u>(137,021)</u>
Total	<u>\$ 116,195</u>

Amortization of leased equipment and vehicles under capital leases is included with depreciation expense.

**Note 10 - Total Other Post Employment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2021, the COE reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
SCOPE Plan	<u>\$ 10,730,646</u>	<u>\$ 2,743,906</u>	<u>\$ (1,042,869)</u>	<u>\$ 875,557</u>

The details of the plan are as follows:

**The COE Plan**

**Plan Administration**

The County Superintendent of Schools administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**Plan Membership**

At June 30, 2020, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	120
Active employees	350
	470
	470

**Benefits Provided**

The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The County Superintendent of Schools has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

**Contributions**

The benefit payment requirements of the Plan members and the COE are established and may be amended by the COE, the Solano County Education Association (SCEA), the local California Service Employees Association (CSEA), the Public Employees Union (PEU), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the COE, SCEA, CSEA, PEU, and the unrepresented groups. For fiscal year 2020-2021, the COE paid \$492,045 in benefits.

**Total OPEB Liability of the COE**

The COE’s total OPEB liability of \$10,730,646 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation at June 30, 2019.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent per year
Investment Return/Discount rate	2.2 percent
Health care cost trend rates	4.0 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2020	\$ 8,283,219
Service Cost	498,815
Interest	292,511
Differences between actual and expected experience	167,990
Benefit payments	(518,338)
Changes of assumptions or other inputs	2,006,449
Net change in total OPEB liability	2,447,427
Balance at June 30, 2021	\$ 10,730,646

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the COE, as well as what the COE's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (1.2%)	\$ 12,632,006
Current discount rate (2.2%)	10,730,646
1% increase (3.2%)	9,121,437

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the COE, as well as what the COE's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (3%)	\$ 9,368,440
Current healthcare cost trend rate (4%)	10,730,646
1% increase (5%)	12,569,667

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB**

For the year ended June 30, 2021, the COE recognized OPEB expense of \$875,335. At June 30, 2021, the COE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 492,045	\$ -
Differences between expected and actual experience	152,290	(766,520)
Changes of assumptions	2,099,571	(276,349)
on OPEB plan investments	<u>\$ 2,743,906</u>	<u>\$ (1,042,869)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows ) of Resources
2022	\$ 110,524
2023	110,524
2024	110,524
2025	110,524
2026	110,524
Thereafter	656,372
	\$ 1,208,992



**Note 11 - Fund Balances**

Fund balances are composed of the following elements:

	County School Service Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>			
Revolving cash	\$ 15,000	\$ -	\$ 15,000
Prepaid expenditures	655,011	-	655,011
<b>Total Nonspendable</b>	<b>670,011</b>	<b>-</b>	<b>670,011</b>
<b>Restricted</b>			
Education	7,071,821	111,072	7,182,893
Capital projects	-	6,186,221	6,186,221
	<b>7,071,821</b>	<b>6,297,293</b>	<b>13,369,114</b>
<b>Assigned</b>			
Deferred maintenance	952,137	-	952,137
Solano County technology consortium	35,036	-	35,036
Retiree benefits	2,600,000	-	2,600,000
One-time mandate repayment funds	211,827	-	211,827
Miscellaneous local program funds	447,778	-	447,778
Election costs	1,000,000	-	1,000,000
Lottery	81,554	-	81,554
Adult education	-	2,328	2,328
Child development	-	10,187	10,187
<b>Total Assigned</b>	<b>5,328,332</b>	<b>12,515</b>	<b>5,340,847</b>
<b>Unassigned</b>			
Reserve for economic uncertainties	1,861,302	-	1,861,302
Remaining unassigned	22,383,225	-	22,383,225
<b>Total Unassigned</b>	<b>24,244,527</b>	<b>-</b>	<b>24,244,527</b>
<b>Total</b>	<b>\$ 37,314,691</b>	<b>\$ 6,309,808</b>	<b>\$ 43,624,499</b>

**Note 12 - Risk Management****Property and Liability**

The COE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the COE was a member in and procured coverage through the North Bay Schools Insurance Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Workers' Compensation**

For fiscal year 2021, the COE was a member in and procured coverage through the North Bay Schools Insurance Authority, a workers' compensation insurance purchasing pool. The intent of the North Bay Schools Insurance Authority is to achieve the benefit of a reduced premium for the COE by virtue of its grouping and representation with other participants in the North Bay Schools Insurance Authority. The workers' compensation experience of the participating local educational agencies is calculated as one experience and a common premium rate is applied to all local educational agencies in the North Bay Schools Insurance Authority.

Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the North Bay Schools Insurance Authority.

**Employee Medical Benefits**

Under Government Code Section 22922(b) SCOE has elected to participate under the Public Employees' Medical and Hospital Care Act (PEMHCA) with respect to medical benefits for the organization with CalPERS as the contracting agency. The contracting agency may fix the amount of the employer's contribution for employees and the employer's contribution for the annuitants at different amounts, provided that the monthly contribution for annuitants is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly contribution for employees, until such time as the amounts are equal. The minimum employer contribution amount is prescribed by Government Code section 22892 of the PEMHCA, and the calculated adjustments are based upon the medical care component of the Consumer Price Index-Urban (CPI-U). In addition, SCOE pays an administrative fee that is calculated on the total active and retired gross health premiums and billed to contracting agencies monthly.

The COE has contracted with North Bay Schools Insurance Authority (NBSIA) to provide employee dental and vision benefits. NBSIA is a shared risk pool comprised of 15 local educational agencies in Solano, Napa and Yolo Counties. Rates are set through an annual calculation process, and actuarial studies are done every three years as required by law. The COE pays a monthly contribution based on approved rates and enrollment, which is placed in a common fund from which claim payments are made for all participating members. Claims are paid for all eligible enrollees according to the plan benefits. Funds in excess of those needed for claims and expenses are held in reserve and may be used or returned to participating members in accordance with the JPA Agreement and Bylaws, and upon action of the risk pool Board of Directors.

**Note 13 - Employee Retirement Systems**

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

For the fiscal year ended June 30, 2021, the COE reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 17,402,663	\$ 5,450,591	\$ 1,971,145	\$ 1,816,547
CalPERS	32,272,174	5,837,145	1,160,964	5,696,027
Total	<u>\$ 49,674,837</u>	<u>\$ 11,287,736</u>	<u>\$ 3,132,109</u>	<u>\$ 7,512,574</u>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The COE contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

The COE contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

### Contributions

Required member, COE and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the COE's total contributions were \$2,640,692.

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

At June 30, 2021, the COE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the COE. The amount recognized by the COE as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the COE were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 17,402,663
State's proportionate share of the net pension liability	8,971,075
Total	<u>\$ 26,373,738</u>

The net pension liability was measured as of June 30, 2020. The COE's proportion of the net pension liability was based on a projection of the COE's long-term share of contributions to the pension plan relative to the projected contributions of all participating district/COEs and the State, actuarially determined. The COE's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.0180 percent and 0.0166 percent, resulting in a net increase in the proportionate share of 0.0014 percent.

For the year ended June 30, 2021, COE recognized pension expense of \$1,816,547. In addition, the COE recognized pension expense and revenue of \$1,256,260 for support provided by the State. At June 30, 2021, the COE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,640,692	\$ -
Change in proportion and differences between contributions made and COE's proportionate share of contributions	668,798	1,480,359
Differences between projected and actual earnings on pension plan investments	413,387	-
Differences between expected and actual experience in the measurement of the total pension liability	30,708	490,786
Changes of assumptions	1,697,006	-
	<u>\$ 5,450,591</u>	<u>\$ 1,971,145</u>
Total	<u>\$ 5,450,591</u>	<u>\$ 1,971,145</u>

The deferred outflows of resources related to pensions resulting from COE contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (252,247)
2023	140,848
2024	281,009
2025	243,777
Total	\$ 413,387

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and COE's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Live (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (75,540)
2023	155,462
2024	233,227
2025	(47,379)
2026	46,423
Thereafter	113,174
Total	\$ 425,367

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Absolute Return/Risk Mitigating Strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

### Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the SCOE's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 26,292,999
Current discount rate (7.10%)	\$ 17,402,663
1% increase (8.10%)	\$ 10,062,438

### California Public Employees Retirement System (CalPERS)

#### Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

#### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible



survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2021 are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.700%	20.700%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The COE is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total COE contributions were \$3,379,061.

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

As of June 30, 2021, the COE reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$32,272,174. The net pension liability was measured as of June 30, 2020. The COE's proportion of the net pension liability was based on a projection of the COE's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts/COEs, actuarially determined. The COE's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.1052 percent and 0.1012 percent, resulting in a net increase in the proportionate share of 0.0040 percent.

For the year ended June 30, 2021, the COE recognized pension expense of \$5,696,027. At June 30, 2021, the COE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,379,061	\$ -
Change in proportion and differences between contributions made and COE's proportionate share of contributions	67,337	1,160,964
Differences between projected and actual earnings on pension plan investments	671,804	-
Differences between expected and actual experience in the measurement of the total pension liability	1,600,600	-
Changes of assumptions	118,343	-
Total	\$ 5,837,145	\$ 1,160,964

The deferred outflows of resources related to pensions resulting from SCOE contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ (251,403)
2023	224,242
2024	389,771
2025	309,194
Total	\$ 671,804

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and COE's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 530,449
2023	(39,022)
2024	120,112
2025	13,777
Total	<u>\$ 625,316</u>

#### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits

for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

#### Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the COE's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.15%)	\$ 46,397,135
Current discount rate (7.15%)	32,272,174
1% increase (8.15%)	20,549,165

#### Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. Contributions made by the COE and an employee vest immediately. The COE contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the SCOE. These payments consist of State County School Service Fund contributions to CalSTRS in the amount of \$1,015,260 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**Note 14 - Commitments and Contingencies****Grants**

The COE received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the COE at June 30, 2021.

**Litigation**

The COE is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the COE at June 30, 2021.

**Construction Commitments**

As of June 30, 2021, COE had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
TC McDaniel Learning Center Modernization	<u>\$ 2,288,137</u>	11/30/21

**Note 15 - Participation in Public Entity Risk Pools and Joint Power Authorities**

The COE is a member of the North Bay Schools Insurance Authorities (JPA). The COE pays an annual premium to the applicable entity for its workers' compensation and property liability coverage. The relationships between the COE and the JPA, is such that it is not a component unit of the COE for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entity and the SCOE are included in these statements. Audited financial statements are generally available from the entity.

During the year ended June 30, 2021, the COE made payments of \$935,345 to North Bay Schools Insurance Authority for workers' compensation and property liability coverage.



Required Supplementary Information  
June 30, 2021

# Solano County Office of Education

Solano County Office of Education  
 Budgetary Comparison Schedule – County School Service Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 16,625,979	\$ 19,485,986	\$ 18,787,306	\$ (698,680)
Federal sources	3,728,507	4,990,433	4,189,538	(800,895)
Other State sources	21,766,052	24,124,505	19,115,696	(5,008,809)
Other local sources	15,307,134	18,527,747	14,813,598	(3,714,149)
<b>Total Revenues</b>	<b>57,427,672</b>	<b>67,128,671</b>	<b>56,906,138</b>	<b>(10,222,533)</b>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	11,467,618	11,729,369	11,157,875	571,494
Classified salaries	16,448,664	18,067,002	16,644,546	1,422,456
Employee benefits	12,996,263	13,209,284	12,107,680	1,101,604
Books and supplies	1,618,668	3,988,715	2,571,291	1,417,424
Services and operating expenditures	15,356,521	18,179,613	11,842,921	6,336,692
Other outgo	(72,959)	(85,682)	(76,222)	(9,460)
Capital outlay	583,770	1,057,691	205,204	852,487
Debt service - principal	53,797	40,097	30,407	9,690
Debt service - interest	2,591	2,225	3,748	(1,523)
<b>Total Expenditures</b>	<b>58,454,933</b>	<b>66,188,314</b>	<b>54,487,450</b>	<b>11,700,864</b>
<b>Net Change in Fund Balances</b>	<b>(1,027,261)</b>	<b>940,357</b>	<b>2,468,909</b>	<b>1,528,552</b>
Fund Balance - Beginning	34,845,782	34,845,782	34,845,782	-
<b>Fund Balance - Ending</b>	<b>\$ 33,818,521</b>	<b>\$ 35,786,139</b>	<b>\$ 37,314,691</b>	<b>\$ 1,528,552</b>



Solano County Office of Education  
 Budgetary Comparison Schedule – Special Education Pass-Through Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Federal sources	\$ 9,030,258	\$ 9,147,231	\$ 9,147,231	\$ -
Other state sources	6,580,026	12,756,578	12,756,578	-
Total Revenues	<u>15,610,284</u>	<u>21,903,809</u>	<u>21,903,809</u>	<u>-</u>
Expenditures				
Other outgo	15,610,284	21,903,809	21,903,809	-
Total Expenditures	<u>15,610,284</u>	<u>21,903,809</u>	<u>21,903,809</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Solano County Office of Education  
Schedule of Changes in the COE's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 498,815	\$ 493,208	\$ 518,572	\$ 504,693
Interest	292,511	327,399	324,185	282,918
Difference between expected and actual experience	167,990	(942,732)	-	-
Changes of assumptions	2,006,449	345,157	(386,890)	-
Benefit payments	(518,338)	(487,279)	(360,600)	(346,731)
Net change in total OPEB liability	2,447,427	(264,247)	95,267	440,880
Total OPEB Liability - Beginning	\$ 8,283,219	8,547,466	8,452,199	8,011,319
Total OPEB Liability - Ending	<u>\$ 10,730,646</u>	<u>\$ 8,283,219</u>	<u>\$ 8,547,466</u>	<u>\$ 8,452,199</u>
Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>	<u>N/A<sup>1</sup></u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup> The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

*Note:* In the future, as data becomes available, ten years of information will be presented.

Solano County Office of Education  
Schedule of Proportionate Share of the Net Position Liability  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Proportion of the net pension liability	0.0180%	0.0166%	0.0167%	0.0175%	0.0197%	0.0201%	0.0226%
Proportionate share of the net pension liability	\$ 17,402,663	\$ 14,955,056	\$ 15,312,910	\$ 16,155,199	\$ 15,926,217	\$ 13,555,526	\$ 13,199,010
State's proportionate share of the net pension liability associated with the SCOE	8,971,075	8,158,982	8,767,357	9,557,752	9,066,511	7,169,379	7,970,132
Total	<u>\$ 26,373,738</u>	<u>\$ 23,114,038</u>	<u>\$ 24,080,267</u>	<u>\$ 25,712,951</u>	<u>\$ 24,992,728</u>	<u>\$ 20,724,905</u>	<u>\$ 21,169,142</u>
Covered payroll	<u>\$ 9,995,536</u>	<u>\$ 9,471,713</u>	<u>\$ 9,630,584</u>	<u>\$ 9,257,494</u>	<u>\$ 9,705,992</u>	<u>\$ 9,538,071</u>	<u>\$ 9,922,265</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	174.10%	157.89%	159.00%	174.51%	164.09%	142.12%	133.02%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>							
Proportion of the net pension liability	0.1052%	0.1012%	0.1039%	0.1085%	0.1113%	0.1144%	0.1229%
Proportionate share of the net pension liability	\$ 32,272,174	\$ 29,490,192	\$ 27,710,821	\$ 25,899,571	\$ 21,986,958	\$ 16,861,303	\$ 13,951,951
Covered payroll	\$ 15,786,975	\$ 14,641,632	\$ 14,367,703	\$ 13,853,043	\$ 13,347,228	\$ 12,694,317	\$ 12,534,689
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	204.42%	201.41%	192.87%	186.96%	164.73%	132.83%	111.31%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data become available, ten years of information will be presented.

Solano County Office of Education  
Schedule of COE Contributions  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Contractually required contribution	\$ 2,640,692	\$ 1,353,270	\$ 1,397,787	\$ 1,320,470	\$ 1,158,156	\$ 1,034,947	\$ 845,489
Less contributions in relation to the contractually required contribution	(2,640,692)	(1,353,270)	(1,397,787)	(1,320,470)	(1,158,156)	(1,034,947)	(845,489)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 10,574,556	\$ 9,995,536	\$ 9,471,713	\$ 9,630,584	\$ 9,257,494	\$ 9,705,992	\$ 9,538,071
Contributions as a percentage of covered payroll	24.97%	13.54%	14.76%	13.71%	12.51%	10.66%	8.86%
<b>CalPERS</b>							
Contractually required contribution	\$ 3,379,061	\$ 2,993,374	\$ 939,527	\$ 2,154,881	\$ 1,919,752	\$ 1,570,342	\$ 1,494,208
Less contributions in relation to the contractually required contribution	(3,379,061)	(2,993,374)	(939,527)	(2,154,881)	(1,919,752)	(1,570,342)	(1,494,208)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,308,762	\$ 15,786,975	\$ 14,641,632	\$ 14,367,703	\$ 13,853,043	\$ 13,347,228	\$ 12,694,317
Contributions as a percentage of covered payroll	20.72%	18.96%	6.42%	15.00%	13.86%	11.77%	11.77%

Note : In the future, as data become available, ten years of information will be presented.

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedules**

The COE employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The County Superintendent of Schools is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

### **Schedule of Changes in the COE's Total OPEB Liability and Related Ratios**

This schedule presents information on the COE's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

**Changes in Benefit Terms** – There were no changes in the benefit terms since the previous valuation.

**Changes of Assumptions** – The plan discount rate assumption was changed from 3.50% to 2.20%.

### **Schedule of the COE's Proportionate Share of the Net Pension Liability**

This schedule presents information on the COE's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the COE. In the future, as data becomes available, ten years of information will be presented.

**Changes in Benefit Terms** – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

**Changes of Assumptions** – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of COE Contributions**

This schedule presents information on the COE's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information  
June 30, 2021

**Solano County Office of Education**

Solano County Office of Education  
Schedule of Expenditures of Federal Awards  
June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of Education				
Passed through California Department of Education (CDE):				
COVID-19 Elementary and Secondary School				
Emergency Relief (ESSER)				
ESSER I	84.425D	15536	\$ 179,071	\$ -
ESSER II	84.425D	15547	36,082	-
COVID-19 Governor's Emergency Education Relief Fund (GEER)				
Learning Loss Mitigation	84.425C	15517	166,984	-
Subtotal			<u>382,137</u>	-
Every School Succeeds Act				
Title I, Part A, Basic, Low Income and Neglected	84.010	14329	113,811	-
Title I, Part D, Subpart 2, Local Delinquent Programs	84.010A	14357	149,738	-
Title I ESSA School Improvement (CSI) funding for COEs	84.010	15439	155,095	-
Subtotal			<u>418,644</u>	-
Title II, Part A, Improving Teacher Quality	84.367A	14341	1,542	-
Title IV - Part A, Subpart 1 Student Support and Academic Enrichment (SSAE)	84.424A	15396	12,051	-
Title VIII, Federal Impact Aid Impact Aid	84.041	10015	281,639	-
Education for Homeless Children and Youth	84.196A	14332	109,728	-
Special Education Cluster				
Special Education Grants to States, Basic Local Assistance Entitlement	84.027A	13379	9,236,919	8,218,958
COVID 19 Special Education Preschool Grants, Alternate Dispute Resolution, Part B	84.027A	15539	79,686	-
Special Education Preschool Grants, Alternate Dispute Resolution, Part B	84.027A	13007	14,601	-
Subtotal			<u>9,331,206</u>	<u>8,218,958</u>
Special Education Preschool Grants, Preschool Staff Development	84.173A	13431	2,777	-
Subtotal			<u>2,777</u>	-
Subtotal Special Education Cluster			<u>9,333,983</u>	<u>8,218,958</u>
Special Education Grants for Infants and Families	84.181	23761	47,966	-
Passed through California Department of Rehabilitation (DOR)				
Rehabilitation Services Vocational Rehabilitation Grants to States, Workability II, Transitions Partnership	84.126	10006	968,227	-
Total U.S. Department of Education			<u>11,555,917</u>	<u>8,218,958</u>

Solano County Office of Education  
Schedule of Expenditures of Federal Awards  
June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
U.S. Department of Treasury				
Passed through California Department of Education (CDE):				
COVID-19 Coronavirus Relief Fund				
Learning Loss Mitigation	21.019	25516	805,433	-
Total U.S. Department of Treasury			805,433	-
U.S. Department of Health and Human Services				
Passed through Solano County:				
Title IV-E Foster Care	93.658	03713-21	47,146	-
Passed through California Department of Education (CDE):				
CCDF Cluster				
Child Care and Development Block Grant, CCIP and CRRP	93.575	[1]	252,945	-
Child Care and Development Block Grant, Federal Local Planning Councils	93.575	[1]	42,485	-
Subtotal CCDF Cluster			295,430	-
Total U.S. Department of Health and Human Services			342,576	-
Total Federal Financial Assistance			<u>\$ 12,703,926</u>	<u>\$ 8,218,958</u>

[1] Pass-Through Entity Identifying Number not available.



Solano County Office of Education provides support services to six unified school districts and one community college district within Solano County. In addition, the County Office operates Special Education, Career Technical Education, and Court School programs countywide. There were no boundary changes during the year.

**County Board of Education**

Name	Office	Term Expires
Michelle Coleman	President	2024
Amy Sharp	Vice President	2024
Elease Cheek	Member	2024
Peggy A. Cohen-Thompson	Member	2024
Dana Dean	Member	2022
Ginger Dunne	Member	2022
Teresa Lavell	Member	2022

**Administration**

Name	Title
Lisette Estrella-Henderson	County Superintendent of Schools
Tommy Welch	Deputy Superintendent, Administrative Services and Operations
Andrea Lemos	Deputy Superintendent Educational Services and Student Programs
Mike Minehan	Associate Superintendent Human Resources and Educator Effectiveness
Andrew Ownby	Assistant Superintendent, Special Education Local Plan Area (SELPA)

Solano County Office of Education  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2021

---

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Solano County Office of Education  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
County School Service Fund				
Revenues	\$ 59,891,590	\$ 56,906,138	\$ 54,406,260	\$ 53,280,546
Other sources	-	50,221	-	-
<b>Total Revenues and Other Sources</b>	<b>59,891,590</b>	<b>56,956,359</b>	<b>54,406,260</b>	<b>53,280,546</b>
Expenditures	62,043,396	54,487,450	52,309,372	50,169,351
Other uses and transfers out	-	-	-	-
<b>Total Expenditures and Other Uses</b>	<b>62,043,396</b>	<b>54,487,450</b>	<b>52,309,372</b>	<b>50,169,351</b>
Increase (Decrease) in Fund Balance	<u>\$ (2,151,806)</u>	<u>\$ 2,468,909</u>	<u>\$ 2,096,888</u>	<u>\$ 3,111,195</u>
Ending Fund Balance	<u>\$ 35,162,885</u>	<u>\$ 37,314,691</u>	<u>\$ 34,845,782</u>	<u>\$ 32,748,894</u>
Available Reserves <sup>2</sup>	<u>\$ 23,980,695</u>	<u>\$ 23,229,267</u>	<u>\$ 24,127,361</u>	<u>\$ 20,182,677</u>
Available Reserves as A Percentage of Total Outgo	<u>38.65%</u>	<u>42.63%</u>	<u>46.12%</u>	<u>40.23%</u>
Long-Term Obligations	<u>\$ 61,053,603</u>	<u>\$ 61,079,489</u>	<u>\$ 53,190,350</u>	<u>\$ 58,722,467</u>
SCOE Average Daily Attendance at P-2	<u>N/A</u>	<u>N/A</u>	<u>319</u>	<u>339</u>

The County School Service Fund (General Fund) balance has increased by \$4,515,576 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$2,151,806 (5.77 percent). For a COE this size, the State recommends available reserves of at least three percent of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The COE has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$2,357,022 over the past two years.

<sup>1</sup> Budget 2022 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund (General Fund).

Solano County Office of Education  
Schedule of Charter Schools  
Year Ended June 30, 2021

---

<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Elite Charter School	2034	Not Included

Solano County Office of Education  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2021

	Adult Education Fund	Child Development Fund	County School Facilities Fund	Total Non-Major Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 34,344	\$ 211,625	\$ 6,635,995	\$ 6,881,964
Receivables	200,238	314,727	-	514,965
Due from other funds	-	54,091	-	54,091
<b>Total Assets</b>	<b>\$ 234,582</b>	<b>\$ 580,443</b>	<b>\$ 6,635,995</b>	<b>\$ 7,451,020</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 56,488	\$ 23,209	\$ 449,774	\$ 529,471
Due to other funds	64,694	547,047	-	611,741
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<b>121,182</b>	<b>570,256</b>	<b>449,774</b>	<b>1,141,212</b>
<b>Fund Balances</b>				
Restricted	111,072	-	6,186,221	6,297,293
Assigned	2,328	10,187	-	12,515
<b>Total Fund Balance</b>	<b>113,400</b>	<b>10,187</b>	<b>6,186,221</b>	<b>6,309,808</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 234,582</b>	<b>\$ 580,443</b>	<b>\$ 6,635,995</b>	<b>\$ 7,451,020</b>

Solano County Office of Education

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds  
June 30, 2021

	Adult Education Fund	Child Development Fund	County School Facilities Fund	Total Non-Major Governmental Funds
<b>Revenues</b>				
Federal sources	\$ -	\$ 295,430	\$ -	\$ 295,430
Other state sources	145,749	376,044	6,867,588	7,389,381
Other local sources	100,317	(464)	34,504	134,357
<b>Total Revenues</b>	<b>246,066</b>	<b>671,010</b>	<b>6,902,092</b>	<b>7,819,168</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction-related activities				
Supervision of instruction	25,014	609,864	-	634,878
Pupil services				
All other pupil services	267,206	-	-	267,206
Administration				
All other administration	14,611	61,609	-	76,220
Facility acquisition and construction	-	-	2,464,148	2,464,148
<b>Total Expenditures</b>	<b>306,831</b>	<b>671,473</b>	<b>2,464,148</b>	<b>3,442,452</b>
Net Change in Fund Balances	(60,765)	(463)	4,437,944	4,376,716
Fund Balance - Beginning, as restated	174,165	10,650	1,748,277	1,933,092
<b>Fund Balance - Ending</b>	<b>\$ 113,400</b>	<b>\$ 10,187</b>	<b>\$ 6,186,221</b>	<b>\$ 6,309,808</b>

**Note 1 - Purpose of Schedules**

**Schedule of Expenditures of Federal Awards (SEFA)**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Solano County Office of Education (the COE) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the COE, it is not intended to and does not present the financial position and changes in net assets or fund balance of the COE.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The COE has not elected to use the ten percent de minimis cost rate.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciliation amounts consist of primarily of the passed-through special education program funds (IDEA) that have been recorded in the current period as revenues but have not been received and distributed to the member districts (subrecipients).

	Federal Financial Assistance Listing/Federal CFDA Number	Amount
Federal revenues recognized on the modified accrual basis in the financial statements but have not been paid out to subrecipients		
Total Federal Revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 13,632,199
Special Education Cluster:		
Difference between cash and accrual basis	84.027A; 84.027; 84.0173	(928,273)
Total Schedule of Expenditures of Federal Awards		\$ 12,703,926

### **Local Education Agency Organization Structure**

This schedule provides information about the COE's boundaries and schools operated, members of the board, and members of the administration.

### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the COE and displays information for each Charter School on whether or not the Charter School is included in the COE's audit.

### **Non-Major Governmental Funds – Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.





Independent Auditor's Reports  
June 30, 2021

# Solano County Office of Education



**Independent Auditor’s 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***

County Superintendent of Schools  
Solano County Office of Education  
Fairfield , California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Solano County Office of Education (the COE), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the COE’s basic financial statements and have issued our report thereon dated December 14, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Solano County Office of Education’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solano County Office of Education’s internal control. Accordingly, we do not express an opinion on the effectiveness of the COE’s internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the COE's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

San Ramon, California  
December 14, 2021



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

County Superintendent of Schools  
Solano County Office of Education  
Fairfield , California

### **Report on Compliance for Each Major Federal Program**

We have audited Solano County Office of Education's (the COE) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the COE's major federal programs for the year ended June 30, 2021. Solano County Office of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, Solano County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## **Report on Internal Control over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

San Ramon, California  
December 14, 2021



## Independent Auditor's Report on State Compliance

County Superintendent of Schools  
Solano County Office of Education  
Fairfield , California

### Report on State Compliance

We have audited Solano County Office of Education's (the COE) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the COE's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the COE's 'compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the COE's 'compliance.

**Compliance Requirements Tested**

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

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Instructional Time	No, see below
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

**Kindergarten Continuance**

The COE’s kindergarten students are retained using an Individualized Education Program based on the identified special needs; therefore, we did not perform procedures related to Kindergarten Continuance.

**Instructional Time**

Instructional Time does not apply to the COE; therefore, we did not perform procedures related to Instructional Time.

**Ratios of Administrative Employees to Teachers**

Ratio of Administrative Employees to Teachers does not apply to the COE; therefore, we did not perform procedures related to Ratio of Administrative Employees to Teachers.

#### Classroom Teacher Salaries

Classroom Teachers Salaries does not apply to the COE; therefore, we did not perform procedures related to Classroom Teacher Salaries.

#### Early Retirement Incentive

The COE did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

#### K-3 Grade Span Adjustment

K-3 Grade Span Adjustment does not apply to the COE; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

#### Apprenticeship: Related and Supplemental Instruction

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the COE.

#### District of Choice

We did not perform District of Choice procedures because the program is not offered by the COE.

#### California Clean Energy Jobs Act

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

#### Independent Study - Course Based

The COE does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

#### Charter Schools

The Charter School is independent of the COE; therefore, we did not perform any procedures related to charter schools.

#### **Unmodified Opinion**

In our opinion, the COE complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



San Ramon, California  
December 14, 2021





Schedule of Findings and Questioned Costs  
June 30, 2021

# Solano County Office of Education

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a)	No

**Identification of major programs**

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Special Education Cluster (IDEA) COVID-19 Coronavirus Relief Fund	84.027A and 84.173A 21.019
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

Type of auditor's report issued on compliance for programs	Unmodified
--	------------

None reported.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

**Federal Compliance Finding**

**2020-001                      Subrecipient Monitoring (50000)**  
**Significant Deficiency in internal control over compliance**

**Federal Program Affected:**

Program Name: Special Education Cluster  
Agency Name: U.S. Department of Education  
Passed Through Agency: California Department of Education  
CFDA: 84.027A, 84.027, 84.173

**Criteria or Specific Requirements**

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires pass-through entities to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate extent of subrecipient monitoring required.

**Condition**

Solano County Office of Education completed aspects of subrecipient monitoring for its subrecipients; however, we noted informal subrecipient monitoring policies had not been established and that there was no documentation evaluating each subrecipient's risk of noncompliance with the program requirements.

**Questioned Costs**

None.

**Effect**

Noncompliance at the subrecipient level may occur and not be detected by the SCOE.

**Cause**

The COE did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements.

**Repeat Finding**

No

**Current Status**

Implemented.