



Financial Statements  
June 30, 2022

# Solano County Office of Education

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the COE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Solano County Office of Education, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Solano County Office of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Solano County Office of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Solano County Office of Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary 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, schedule of average daily attendance, reconciliation of annual financial and budget report with audited financial statements, schedule of financial trend and analysis, schedule of charter schools, combining non-major governmental fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 local education agency organization structure, schedule of average daily attendance, reconciliation of annual financial and budget report with audited financial statements, schedule of financial trend and analysis, schedule of charter schools, combining non-major governmental fund financial statements and schedule of expenditures of federal awards are 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 January 10, 2023 on our consideration of 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.



San Ramon, California  
January 10, 2023

## 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, 2022 with comparative information for the year ended June 30, 2021. Please read it in conjunction with the COE's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### 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 \$4,996,726 from June 30, 2021 to June 30, 2022. While the unrestricted revenues increased \$503,125, the restricted increased \$4,522,458.
- Local Control Funding Formula (LCFF) revenue totaled \$19,658,020 as compared to \$18,787,306 in the prior year.
- Total County School Service Fund expenditures increased by \$2,945,635 or 5.4%.
- The COE ended the year in the County School Service Fund (General Fund) with an ending balance of \$41,784,470 which is an increase of \$4,469,779.
- The total capital assets, net of accumulated depreciation, are \$18,422,114.

### 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, 2022.

**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 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 (General 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:

	2022	2021
Current assets	\$ 66,076,701	\$ 73,010,138
Capital assets	18,422,114	15,277,744
Total assets	84,498,815	88,287,882
Deferred outflows of resources	14,097,297	14,031,642
Current liabilities	21,184,276	29,385,639
Long term liabilities	44,129,220	61,079,489
Total liabilities	65,313,496	90,465,128
Deferred inflows of resources	18,672,726	4,174,978
Net investment in capital assets	18,422,114	15,226,303
Restricted	13,158,459	13,369,114
Unrestricted	(16,970,683)	(20,915,999)
Total Net Position	\$ 14,609,890	\$ 7,679,418



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

	Governmental Activities	
	2022	2021
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 7,483,450	\$ 7,030,232
Operating grants and contributions	62,036,611	49,785,080
Capital grants and contributions	-	6,902,092
General revenues		
Federal and State aid not restricted	6,689,648	7,108,344
Property taxes	13,610,862	12,522,946
Other general revenues	3,320,714	3,521,921
	<u>93,141,285</u>	<u>86,870,615</u>
<b>Expenses</b>		
Instruction-related	31,422,810	32,878,261
Pupil services	9,446,768	10,412,270
Administration	9,591,373	10,838,920
Plant services	2,135,824	2,430,783
All other services	33,614,038	23,616,947
	<u>86,210,813</u>	<u>80,177,181</u>
	<u>\$ 6,930,472</u>	<u>\$ 6,693,434</u>
Change in net position	<u>\$ 6,930,472</u>	<u>\$ 6,693,434</u>

As reported in the *Statement of Activities* on page 11, the cost of all of our governmental activities this year was \$86,210,814. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$13,610,862 because the cost was paid by those who benefited from the programs (\$7,483,450) or by other governments and organizations who subsidized certain programs with grants and contributions (\$62,036,611). We paid for the remaining "public benefit" portion of our governmental activities with \$6,689,648 federal and state funds and \$3,320,714 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 \$44,892,424, which is an increase of \$1,267,925 from last year (Table 3).

Governmental Fund	Balances and Activity			June 30, 2022
	June 30, 2021	Revenues	Expenditures	
General	\$ 37,314,691	\$ 61,902,864	\$ 57,433,085	\$ 41,784,470
Special Education Pass-Through	-	31,619,800	31,619,800	-
Adult Education	113,400	19,099	130,192	2,307
Child Development	10,187	655,253	657,629	7,811
County School Facilities	6,186,221	(26,311)	3,062,073	3,097,837
<b>Total</b>	<b>\$ 43,624,499</b>	<b>\$ 94,170,705</b>	<b>\$ 92,902,779</b>	<b>\$ 44,892,425</b>

The primary reasons for these increases/decreases are:

**General Fund** - The General Fund increased by \$4,469,779 primarily due to the receipt of additional revenue and unexpended restricted funds.

**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 \$111,094 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 \$2,376.

**County School Facilities Fund** - The County School Facilities Fund decreased by \$3,088,384 due to current facilities projects in progress.

**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 2021-2022, significant revenue budget revision was primarily due to new programs/grants. The final 2021-2022 budget was adopted on June 23, 2021. (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, 2022, the County Office had \$18,422,114 in capital assets, net of accumulated depreciation. This is a net increase of \$3,144,370 or 21% from prior year.

	<u>2022</u>	<u>2021</u>	<u>Percent Change</u>
Land	\$ 1,464,659	\$ 1,464,659	0.00%
Land Improvements	365,857	434,200	(15.74)%
Buildings and Improvements	9,693,961	10,336,487	(6.22)%
Furniture and Equipment	434,583	422,998	2.74%
Construction in Progress	<u>6,463,054</u>	<u>2,619,400</u>	<u>146.74%</u>
<b>Total</b>	<u><u>\$ 18,422,114</u></u>	<u><u>\$ 15,277,744</u></u>	<u><u>20.58%</u></u>

We present more detailed information about capital assets in Note 5 to Financial Statements.

**Long-Term Liabilities**

At June 30, 2022, the County Office had \$44,129,220 in long-term liabilities.

	<u>2022</u>	<u>2021</u>	<u>Percent Change</u>
Other long-term liabilities	\$ -	\$ 51,441	(100.00)%
Compensated absences	634,465	622,565	1.91%
Other postemployment benefits (OPEB) liability	12,311,046	10,730,646	14.73%
Aggregate net pension liability	<u>31,183,709</u>	<u>49,674,837</u>	<u>(37.22)%</u>
<b>Total</b>	<u><u>\$ 44,129,220</u></u>	<u><u>\$ 61,079,489</u></u>	<u><u>(27.75)%</u></u>

We present more detailed information about long-term liabilities in Notes 9, 10 and 13 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, 2022

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 44,410,289
Receivables	21,041,149
Prepaid expense	625,263
Capital assets not depreciated	7,927,713
Capital assets, net of accumulated depreciation	10,494,401
Total assets	84,498,815
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to pensions	10,630,951
Deferred outflows of resources related to OPEB	3,466,346
Total deferred outflows of resources	14,097,297
<b>Liabilities</b>	
Accounts payable	19,728,427
Unearned revenue	1,455,849
Long-term liabilities	
Long-term liabilities other than OPEB and pension due in more than one year	634,465
Total other postemployment benefits liability (OPEB)	12,311,046
Aggregate net pension liabilities	31,183,709
Total liabilities	65,313,496
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to OPEB liability	917,916
Deferred inflows of resources related to pensions	17,754,810
Total deferred inflows of resources	18,672,726
<b>Net Position</b>	
Net investment in capital assets	18,422,114
Restricted for:	
Capital projects	3,097,837
Educational programs	9,420,359
Other activities	640,263
Unrestricted	(16,970,683)
Total Net Position	\$ 14,609,890

Solano County Office of Education

Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues Charges for for Services and Sales	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position  Governmental Activities
Governmental Activities				
Instruction	\$ 22,331,372	\$ 3,354,395	\$ 16,435,584	\$ (2,541,393)
Instruction-related activities				
Supervision of instruction	7,162,201	365,901	5,152,737	(1,643,563)
School site administration	1,929,237	248,772	1,186,095	(494,370)
Pupil services				
Home-to-school transportation	983,418	-	-	(983,418)
Food services	399	66	266	(67)
All other pupil services	8,462,951	755,772	6,472,561	(1,234,618)
Administration				
Data processing	2,310,772	-	6,246	(2,304,526)
All other administration	7,280,601	366,767	2,730,386	(4,183,448)
Plant services	2,135,824	112,994	758,181	(1,264,649)
Ancillary services	1,992,253	20,495	1,816,704	(155,054)
Community services	1,985	-	-	(1,985)
Other outgo	31,619,800	2,258,288	27,477,851	(1,883,661)
 Total Governmental Activities	 <u>\$ 86,210,813</u>	 <u>\$ 7,483,450</u>	 <u>\$ 62,036,611</u>	 <u>(16,690,752)</u>

Solano County Office of Education  
Statement of Activities  
Year Ended June 30, 2022

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General revenues and subventions:	
Property taxes, levied for general purposes	13,172,823
Taxes levied for other specific purposes	438,039
Federal and State aid not restricted to specific purposes	6,689,648
Interest and investment earnings	(339,687)
Interagency revenues	55,903
Miscellaneous	<u>3,604,498</u>
Subtotal, general revenues and subventions	<u>23,621,224</u>
Change in Net Position	6,930,472
Net Position - Beginning	<u>7,679,418</u>
Net Position - Ending	<u><u>\$ 14,609,890</u></u>

Solano County Office of Education

Balance Sheet – Governmental Funds

June 30, 2022

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 41,169,605	\$ -	\$ 3,240,684	\$ 44,410,289
Receivables	9,458,771	11,270,128	312,250	21,041,149
Due from other funds	-	3,504,271	1,056	3,505,327
Prepaid expenditures	625,263	-	-	625,263
<b>Total Assets</b>	<b>\$ 51,253,639</b>	<b>\$ 14,774,399</b>	<b>\$ 3,553,990</b>	<b>\$ 69,582,028</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 4,853,080	\$ 14,774,399	\$ 100,948	\$ 19,728,427
Due to other funds	3,160,240	-	345,087	3,505,327
Unearned revenue	1,455,849	-	-	1,455,849
<b>Total Liabilities</b>	<b>9,469,169</b>	<b>14,774,399</b>	<b>446,035</b>	<b>24,689,603</b>
<b>Fund Balances</b>				
Nonspendable	640,263	-	-	640,263
Restricted	9,420,359	-	3,097,837	12,518,196
Assigned	4,902,303	-	10,118	4,912,421
Unassigned	26,821,545	-	-	26,821,545
<b>Total Fund Balance</b>	<b>41,784,470</b>	<b>-</b>	<b>3,107,955</b>	<b>44,892,425</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 51,253,639</b>	<b>\$ 14,774,399</b>	<b>\$ 3,553,990</b>	<b>\$ 69,582,028</b>

Solano County Office of Education  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2022

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Total Fund Balance - Governmental Funds		\$ 44,892,425
<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.</p>		
The cost of capital assets is	\$ 33,524,808	
Accumulated depreciation is	<u>(15,102,694)</u>	
Net Capital Assets		18,422,114
<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>		
		14,097,297
<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>		
		(18,672,726)
<p>The COE's OPEB liability is not due and payable in the current period,  and is not reported as a liability in the funds.</p>		
		(12,311,046)
<p>Net pension liability is not due and payable in the current period, and  is not reported as a liability in the funds.</p>		
		(31,183,709)
<p>Long-term liabilities at year-end consist of:</p>		
Compensated absences (vacations)	<u>(634,465)</u>	
Total long-term liabilities		<u>(634,465)</u>
Total Net Position - Governmental Activities		<u>\$ 14,609,890</u>



Solano County Office of Education  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Control Funding Formula	\$ 19,658,020	\$ -	\$ -	\$ 19,658,020
Federal sources	4,003,916	11,270,128	339,622	15,613,666
Other state sources	22,619,261	20,349,672	336,467	43,305,400
Other local sources	15,621,667	-	(28,048)	15,593,619
<b>Total Revenues</b>	<b>61,902,864</b>	<b>31,619,800</b>	<b>648,041</b>	<b>94,170,705</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	23,404,720	-	-	23,404,720
Instruction-related activities				
Supervision of instruction	7,197,638	-	596,817	7,794,455
School site administration	2,127,826	-	-	2,127,826
Pupil services				
Home-to-school transportation	1,569,168	-	-	1,569,168
All other pupil services	8,433,972	-	123,993	8,557,965
Administration				
Data processing	2,289,923	-	-	2,289,923
All other administration	7,308,595	-	67,011	7,375,606
Plant services	2,248,671	-	-	2,248,671
Ancillary services	2,077,259	-	-	2,077,259
Other outgo	-	31,619,800	-	31,619,800
Facility acquisition and construction	774,919	-	3,062,073	3,836,992
<b>Total expenditures</b>	<b>57,433,085</b>	<b>31,619,800</b>	<b>3,849,894</b>	<b>92,902,779</b>
<b>Net Change in Fund Balances</b>	<b>4,469,779</b>	<b>-</b>	<b>(3,201,853)</b>	<b>1,267,926</b>
<b>Fund Balance - Beginning</b>	<b>37,314,691</b>	<b>-</b>	<b>6,309,808</b>	<b>43,624,499</b>
<b>Fund Balance - Ending</b>	<b>\$ 41,784,470</b>	<b>\$ -</b>	<b>\$ 3,107,955</b>	<b>\$ 44,892,425</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, 2022

Total Net Change in Fund Balances - Governmental Funds Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	\$ 1,267,926
<p>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 and amortization expenses in the Statement of Activities.</p> <p>This is the amount by which capital outlays exceed depreciation expense in the period.</p>	
Depreciation and amortization expenses	\$ (650,240)
Capital outlays	<u>4,058,068</u>
Net Expense Adjustment	3,407,828
Loss on disposal of capital assets is reported in the Statement of Activities, but is not recorded in the government funds.	(263,458)
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, 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.	(11,900)
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.	3,211,642
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.	(733,007)
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.	<u>51,441</u>
Change in Net Position of Governmental Activities	<u><u>\$ 6,930,472</u></u>

Solano County Office of Education  
Statement of Net Position – Fiduciary Funds  
June 30, 2022

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	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 29,326,416</u>
Liabilities	
Due to other governments	<u>29,326,416</u>
Total liabilities	<u>29,326,416</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ -</u>
Total net position	<u>\$ -</u>

Solano County Office of Education  
Statement of Changes in Net Position – Fiduciary Funds  
Year Ended June 30, 2022

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	Custodial Funds
Additions	
Funds collected from other	\$ 431,295,740
Total additions	431,295,740
Deductions	
Funds distributed to others	431,295,740
Total deductions	431,295,740
Net increase 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.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$2,571,140.

**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 governmental 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. 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

The COE records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

### 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, 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.

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

As of June 30, 2022, 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, 2022. 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 \$13,158,459 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. 87**

As of July 1, 2021, the COE adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The implementation of this standard has no significant impact to the COE.

**Implementation of GASB Statement No. 92**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

**Implementation of GASB Statement No. 93**

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 44,410,289
Fiduciary funds	<u>29,326,416</u>
Total Deposits and Investments	<u><u>\$ 73,736,705</u></u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 68,527
Revolving cash	15,000
Investments	<u>73,653,178</u>
Total Deposits and Investments	<u><u>\$ 73,736,705</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 Days</u>
County Pool	<u>\$ 73,653,178</u>	426

**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, 2022.

**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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the COE's bank balance 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, 2022, consisted of intergovernmental grants, entitlements, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Education Pass-through Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 2,712,435	\$ 11,270,128	\$ 193,855	\$ 14,176,418
State Government				
Categorical aid	5,103,097	-	118,395	5,221,492
Other State	29,691	-	-	29,691
Local Government				
Other local sources	1,613,548	-	-	1,613,548
Total	\$ 9,458,771	\$ 11,270,128	\$ 312,250	\$ 21,041,149

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,464,659	\$ -	\$ -	\$ 1,464,659
Construction in Progress	2,619,400	3,843,654	-	6,463,054
	<u>4,084,059</u>	<u>3,843,654</u>	<u>-</u>	<u>7,927,713</u>
Capital Assets Being Depreciated				
Land improvements	2,340,967	-	(54,380)	2,286,587
Buildings and improvements	20,965,807	-	(353,601)	20,612,206
Furniture and equipment	2,552,152	214,414	(68,264)	2,698,302
	<u>25,858,926</u>	<u>214,414</u>	<u>(476,245)</u>	<u>25,597,095</u>
	<u>29,942,985</u>	<u>4,058,068</u>	<u>(476,245)</u>	<u>33,524,808</u>
Less accumulated depreciation				
Land improvements	1,906,767	32,765	(18,802)	1,920,730
Buildings and improvements	10,629,320	454,823	(165,898)	10,918,245
Furniture and equipment	2,129,154	162,652	(28,087)	2,263,719
	<u>14,665,241</u>	<u>650,240</u>	<u>(212,787)</u>	<u>15,102,694</u>
	<u>\$ 15,277,744</u>	<u>\$ 3,407,828</u>	<u>\$ (263,458)</u>	<u>\$ 18,422,114</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 179,872
School site administration	20,243
Home-to-school transportation	74,093
Community services	1,985
All other administration	136,826
Data processing	82,188
Plant services	155,033
	<u>650,240</u>
Total depreciation expense Governmental Activities	<u>\$ 650,240</u>

**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, 2022, between major and non-major governmental funds are as follows:

Due To	Due From		Total
	Special Education Pass-through Fund	Non-Major Governmental Funds	
General Fund	\$ 3,159,184	\$ 1,056	\$ 3,160,240
Non-Major Governmental Funds	345,087	-	345,087
	\$ 3,504,271	\$ 1,056	\$ 3,505,327

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, 2022, consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ -	\$ 11,270,128	\$ -	\$ 11,270,128
State Government				
Categorical aid	53,743	3,504,271	-	3,558,014
Vendor payables	3,069,597	-	100,948	3,170,545
Salaries and benefits	1,729,740	-	-	1,729,740
	\$ 4,853,080	\$ 14,774,399	\$ 100,948	\$ 19,728,427

**Note 8 - Unearned Revenue**

Unearned revenue at June 30, 2022, consists of the following:

	General Fund
Federal financial assistance	\$ 113,362
State categorical aid	1,049,892
Other local	292,595
Total	\$ 1,455,849

**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, 2022	Due in One Year
Compensated absences	\$ 622,565	\$ 11,900	\$ -	\$ 634,465	\$ -
Other long-term liability	51,441	-	(51,441)	-	-
	\$ 674,006	\$ 11,900	\$ (51,441)	\$ 634,465	\$ -

Payments on the other long-term liability 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, 2022, amounted to \$634,465.

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

For the fiscal year ended June 30, 2022, the COE reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plan:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
SCOE Plan	<u>\$ 12,311,046</u>	<u>\$ 3,466,346</u>	<u>\$ 917,916</u>	<u>\$ 1,123,060</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, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	120
Active employees	360
	480

**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 2021-2022, the COE paid \$441,049 in benefits.

**Total OPEB Liability of the COE**

The COE’s total OPEB liability of \$12,311,046 was measured as of June 30, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2021.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	2.75 percent per year
Investment Return/Discount rate	2.16 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 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Mortality for Miscellaneous and School 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, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 10,730,646
Service Cost	727,982
Interest	240,368
Experience (Gains)/Losses	43,748
Benefit payments	(492,045)
Changes of assumptions or other inputs	<u>1,060,347</u>
Net change in total OPEB liability	<u>1,580,400</u>
Balance at June 30, 2021	<u>\$ 12,311,046</u>

**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:

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	\$ 14,658,228
Current discount rate (2.16%)	12,311,046
1% increase (3.16%)	10,455,269

**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:

Healthcare Cost Trend Rate	Net OPEB Liability
1% decrease (3%)	\$ 10,302,427
Current healthcare cost trend rate (4%)	12,311,046
1% increase (5%)	15,005,371

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

For the year ended June 30, 2022, the COE recognized OPEB expense of \$1,123,060. At June 30, 2022, the COE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 441,049	\$ -
Differences between expected and actual experience	176,566	678,414
Changes of assumptions	2,848,731	239,502
Total	\$ 3,466,346	\$ 917,916

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The remaining 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
2023	\$ 205,706
2024	205,706
2025	205,706
2026	205,706
2027	205,706
Thereafter	1,078,851
Total	\$ 2,107,381



**Note 11 - Fund Balances**

Fund balances are composed of the following elements:

	County School Service Fund (General Fund)	Non-Major Governmental Funds	Total
<b>Nonspendable</b>			
Revolving cash	\$ 15,000	\$ -	\$ 15,000
Prepaid expenditures	625,263	-	625,263
Total Nonspendable	<u>640,263</u>	<u>-</u>	<u>640,263</u>
<b>Restricted</b>			
Education	9,420,359	-	9,420,359
Capital projects	-	3,097,837	3,097,837
	<u>9,420,359</u>	<u>3,097,837</u>	<u>12,518,196</u>
<b>Assigned</b>			
Deferred maintenance	1,004,585	-	1,004,585
Solano County technology consortium	100,795	-	100,795
Retiree benefits	2,571,140	-	2,571,140
One-time mandate repayment funds	211,827	-	211,827
Miscellaneous local program funds	450,961	-	450,961
Election costs	300,000	-	300,000
Carryover items	175,250	-	175,250
Lottery	87,745	-	87,745
Adult education	-	2,307	2,307
Child development	-	7,811	7,811
Total Assigned	<u>4,902,303</u>	<u>10,118</u>	<u>4,912,421</u>
<b>Unassigned</b>			
Reserve for economic uncertainties	2,026,745	-	2,026,745
Remaining unassigned	24,794,800	-	24,794,800
Total Unassigned	<u>26,821,545</u>	<u>-</u>	<u>26,821,545</u>
Total	<u>\$ 41,784,470</u>	<u>\$ 3,107,955</u>	<u>\$ 44,892,425</u>

**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, 2022, 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 2022, 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% 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, 2022, 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	\$ 8,294,843	\$ 4,300,645	\$ 8,327,566	\$ 82,449
CalPERS	22,888,866	6,330,306	9,427,244	2,377,913
Total	<u>\$ 31,183,709</u>	<u>\$ 10,630,951</u>	<u>\$ 17,754,810</u>	<u>\$ 2,460,362</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, 2020, 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:

<https://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% 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, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

### 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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the COE's total contributions were \$1,683,902.

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

At June 30, 2022, 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	\$ 8,294,843
State's proportionate share of the net pension liability	4,173,643
Total	<u>\$ 12,468,486</u>

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.0182% and 0.0180%, resulting in a net increase in the proportionate share of 0.0002%.

For the year ended June 30, 2022, COE recognized pension expense of \$82,449. In addition, the COE recognized pension expense and revenue of \$142,796 for support provided by the State. At June 30, 2022, 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	\$ 1,683,902	\$ -
Change in proportion and differences between contributions made and COE's proportionate share of contributions	1,420,673	883,388
Differences between projected and actual earnings on pension plan investments	-	6,561,434
Differences between expected and actual experience in the measurement of the total pension liability	20,779	882,744
Changes of assumptions	1,175,291	-
	<u>1,175,291</u>	<u>-</u>
Total	<u>\$ 4,300,645</u>	<u>\$ 8,327,566</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
2023	\$ (1,666,210)
2024	(1,524,039)
2025	(1,561,860)
2026	(1,809,325)
Total	<u>\$ (6,561,434)</u>

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
2023	\$ 218,538
2024	296,583
2025	8,039
2026	101,919
2027	169,373
Thereafter	56,159
Total	<u>\$ 850,611</u>

### 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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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% 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 consultant 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 current and future valuation, CalSTRS' independent 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, 2021, 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%
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%. 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 of 7.10% and assume 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 16,885,332
Current discount rate (7.10%)	\$ 8,294,843
1% increase (8.10%)	\$ 1,164,902

### 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, 2020 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, 2022 are summarized as follows:

	School Employer Pool (CalPERS)	
	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 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	22.910%	22.910%

### 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 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, 2022, are presented above and the total COE contributions were \$3,988,103.

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

As of June 30, 2022, the COE reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$22,888,866. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively was 0.1126% and 0.1052%, resulting in a net increase in the proportionate share of 0.0074%.

For the year ended June 30, 2022, the COE recognized pension expense of \$2,377,913. At June 30, 2022, 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	\$ 3,988,103	\$ 589,221
Change in proportion and differences between contributions made and COE's proportionate share of contributions	1,658,912	-
Differences between projected and actual earnings on pension plan investments	-	8,784,065
Differences between expected and actual experience in the measurement of the total pension liability	683,291	53,958
Changes of assumptions	-	-
	<u>\$ 6,330,306</u>	<u>\$ 9,427,244</u>
Total	<u>\$ 6,330,306</u>	<u>\$ 9,427,244</u>

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
2023	\$ (2,203,035)
2024	(2,025,889)
2025	(2,112,121)
2026	(2,443,020)
	<u>(8,784,065)</u>
Total	<u>\$ (8,784,065)</u>

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
2023	\$ 497,328
2024	633,792
2025	517,605
2026	50,299
Total	<u>\$ 1,699,024</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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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% 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%. 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%)	\$ 38,593,842
Current discount rate (7.15%)	22,888,866
1% increase (8.15%)	9,850,366

**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% of an employee's gross earnings. An employee is required to contribute 6.2% 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 \$1,172,219 (10.828% 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, 2022.

**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, 2022.

**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, 2022, the COE made payments of \$1,022,210 to North Bay Schools Insurance Authority for workers' compensation and property liability coverage.



Required Supplementary Information  
June 30, 2022

# Solano County Office of Education

Solano County Office of Education  
 Budgetary Comparison Schedule – County School Service Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$ 16,664,250	\$ 19,658,020	\$ 19,658,020	\$ -
Federal sources	3,243,011	4,639,570	4,003,916	(635,654)
Other State sources	20,678,258	26,183,328	22,619,261	(3,564,067)
Other local sources	12,130,838	17,941,820	15,621,667	(2,320,153)
<b>Total Revenues</b> <sup>1</sup>	<b>52,716,357</b>	<b>68,422,738</b>	<b>61,902,864</b>	<b>(6,519,874)</b>
<b>Expenditures</b>				
<b>Current</b>				
Certificated salaries	11,327,539	12,139,269	11,465,173	674,096
Classified salaries	17,987,884	18,988,970	17,597,676	1,391,294
Employee benefits	13,998,851	14,322,378	13,238,936	1,083,442
Books and supplies	2,684,409	3,237,271	1,748,041	1,489,230
Services and operating expenditures	15,406,739	17,429,208	12,445,096	4,984,112
Other outgo	(17,044)	(13,043)	(67,012)	53,969
Capital outlay	655,018	736,018	989,333	(253,315)
Debt service - principal	-	-	15,384	(15,384)
Debt service - interest	-	-	458	(458)
<b>Total Expenditures</b> <sup>1</sup>	<b>62,043,396</b>	<b>66,840,071</b>	<b>57,433,085</b>	<b>9,406,986</b>
<b>Net Change in Fund Balances</b>	<b>(9,327,039)</b>	<b>1,582,667</b>	<b>4,469,779</b>	<b>2,887,112</b>
Fund Balance - Beginning	37,314,691	37,314,691	37,314,691	-
<b>Fund Balance - Ending</b>	<b>\$ 27,987,652</b>	<b>\$ 38,897,358</b>	<b>\$ 41,784,470</b>	<b>\$ 2,887,112</b>

<sup>1</sup> Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this other fund is included in the Actual (GAAP Basis) revenues and expenditures.



Solano County Office of Education  
 Budgetary Comparison Schedule – Special Education Pass-Through Fund  
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 9,030,258	\$ 11,270,128	\$ 11,270,128	\$ -
Other state sources	10,262,355	20,349,672	20,349,672	-
Total Revenues	<u>19,292,613</u>	<u>31,619,800</u>	<u>31,619,800</u>	<u>-</u>
Expenditures				
Other outgo	19,292,613	31,619,800	31,619,800	-
Total Expenditures	<u>19,292,613</u>	<u>31,619,800</u>	<u>31,619,800</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>

Solano County Office of Education  
Schedule of Changes in the COE's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 727,982	\$ 498,815	\$ 493,208	\$ 518,572	\$ 504,693
Interest	240,369	292,511	327,399	324,185	282,918
Difference between expected and actual experience	43,747	167,990	(942,732)	-	-
Changes of assumptions	1,060,347	2,006,449	345,157	(386,890)	-
Benefit payments	(492,045)	(518,338)	(487,279)	(360,600)	(346,731)
Net change in total OPEB liability	1,580,400	2,447,427	(264,247)	95,267	440,880
Total OPEB Liability - Beginning	<u>\$ 10,730,646</u>	<u>\$ 8,283,219</u>	<u>8,547,466</u>	<u>8,452,199</u>	<u>8,011,319</u>
Total OPEB Liability - Ending	<u><u>\$ 12,311,046</u></u>	<u><u>\$ 10,730,646</u></u>	<u><u>\$ 8,283,219</u></u>	<u><u>\$ 8,547,466</u></u>	<u><u>\$ 8,452,199</u></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>	<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>	<u>N/A<sup>1</sup></u>
Measurement Date	June 30, 2021	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 the COE's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>CalSTRS</b>					
Proportion of the net pension liability	0.0182%	0.0180%	0.0166%	0.0167%	0.0175%
Proportionate share of the net pension liability	\$ 8,294,843	\$ 17,402,663	\$ 14,955,056	\$ 15,312,910	\$ 16,155,199
State's proportionate share of the net pension liability associated with the SCOE	4,173,643	8,971,075	8,158,982	8,767,357	9,557,752
Total	<u>\$ 12,468,486</u>	<u>\$ 26,373,738</u>	<u>\$ 23,114,038</u>	<u>\$ 24,080,267</u>	<u>\$ 25,712,951</u>
Covered payroll	<u>\$ 10,574,556</u>	<u>\$ 9,995,536</u>	<u>\$ 9,471,713</u>	<u>\$ 9,630,584</u>	<u>\$ 9,257,494</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>78.44%</u>	<u>174.10%</u>	<u>157.89%</u>	<u>159.00%</u>	<u>174.51%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>CalPERS</b>					
Proportion of the net pension liability	<u>0.1126%</u>	<u>0.1052%</u>	<u>0.1012%</u>	<u>0.1039%</u>	<u>0.1085%</u>
Proportionate share of the net pension liability	<u>\$ 22,888,866</u>	<u>\$ 32,272,174</u>	<u>\$ 29,490,192</u>	<u>\$ 27,710,821</u>	<u>\$ 25,899,571</u>
Covered payroll	<u>\$ 16,308,762</u>	<u>\$ 15,786,975</u>	<u>\$ 14,641,632</u>	<u>\$ 14,367,703</u>	<u>\$ 13,853,043</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>140.35%</u>	<u>204.42%</u>	<u>201.41%</u>	<u>192.87%</u>	<u>186.96%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Solano County Office of Education  
Schedule of the COE's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2022

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CaSTRS</b>			
Proportion of the net pension liability	0.0197%	0.0201%	0.0226%
Proportionate share of the net pension liability	\$ 15,926,217	\$ 13,555,526	\$ 13,199,010
State's proportionate share of the net pension liability associated with the SCOE	<u>9,066,511</u>	<u>7,169,379</u>	<u>7,970,132</u>
Total	<u>\$ 24,992,728</u>	<u>\$ 20,724,905</u>	<u>\$ 21,169,142</u>
Covered payroll	<u>\$ 9,705,992</u>	<u>\$ 9,538,071</u>	<u>\$ 9,922,265</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>164.09%</u>	<u>142.12%</u>	<u>133.02%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
<b>CaIPERS</b>			
Proportion of the net pension liability	<u>0.1113%</u>	<u>0.1144%</u>	<u>0.1229%</u>
Proportionate share of the net pension liability	<u>\$ 21,986,958</u>	<u>\$ 16,861,303</u>	<u>\$ 13,951,951</u>
Covered payroll	<u>\$ 13,347,228</u>	<u>\$ 12,694,317</u>	<u>\$ 12,534,689</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>164.73%</u>	<u>132.83%</u>	<u>111.31%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

See Notes to Required Supplementary Information

Solano County Office of Education  
Schedule of the COE's Contributions  
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>								
Contractually required contribution	\$ 1,683,902	\$ 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	(1,683,902)	(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	\$ 9,952,139	\$ 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	16.92%	24.97%	13.54%	14.76%	13.71%	12.51%	10.66%	8.86%
<b>CalPERS</b>								
Contractually required contribution	\$ 3,988,103	\$ 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	(3,988,103)	(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	\$ 17,407,695	\$ 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	22.91%	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 2.20% to 2.16%.

### **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 the COE's 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, 2022

# Solano County Office of Education

Solano County Office of Education  
Schedule of Expenditures of Federal Awards  
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	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)	84.425D	15536	\$ 16	\$ -
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)	84.425D	15547	608,212	-
COVID-19 Elementary and Secondary School Emergency Relief (ESSER)	84.425D	15618	122,688	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	15559	241,149	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	10155	55,864	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	15620	79,979	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	15621	137,869	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Homeless Children and Youth	84.425W	15564	22,351	-
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Homeless Children and Youth	84.425W	15566	2,937	-
COVID-19 Governor's Emergency Education Relief (GEER) Fund	84.425C	15619	28,158	-
Subtotal			<u>1,299,223</u>	<u>-</u>
Every School Succeeds Act				
Title I, Part A, Basic, Low Income and Neglected	84.010	14329	165,090	-
Title I, Part D, Subpart 2, Local Delinquent Programs	84.010A	14357	111,930	-
Title I, School Improvement (CSI) funding for COEs	84.010	15439	73,951	-
Subtotal			<u>350,971</u>	<u>-</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367A	14341	11,894	-
Title IV, Part A, Subpart 1 Student Support and Academic Enrichment Program Grants	84.424A	15396	14,653	-
Title VIII, Federal Impact Aid, PL 81-874	84.041	10015	52,774	-
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196A	14332	75,000	-
Special Education Cluster				
Special Education IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	9,284,009	8,266,047
Special Education IDEA Mental Health Average Daily Allocation	84.027A	15197	1,064,293	1,064,293
Special Education Preschool Grants, Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	17,777	-
Subtotal			<u>10,366,079</u>	<u>9,330,340</u>



Solano County Office of Education  
Schedule of Expenditures of Federal Awards  
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Subrecipients
Special Education Grants to States, Preschool Grants, Part B, Age 3-4-5	84.173A	13430	697,693	697,693
Special Education Preschool Grants, Preschool Staff Development, Part B, Sec 619	84.173A	13431	3,000	-
Subtotal			<u>700,693</u>	<u>697,693</u>
Subtotal Special Education Cluster			<u>11,066,772</u>	<u>10,028,033</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 Program	84.126A	10006	1,068,468	-
Total U.S. Department of Education			<u>13,987,721</u>	<u>10,028,033</u>
U.S. Department of Health And Human Services				
Passed through Solano County				
Title IV-E Foster Care	93.658	N/A	43,614	-
Passed through California Department of Education (CDE):				
CCDF Cluster				
Child Care and Development Block Grant, Child Care Initiative Project (CCIP)/Resources & Referral Contracts (CRRP)	93.575	24130	259,423	-
Child Care and Development Block Grant, Federal Loca Planning Councils	93.575	13946	56,647	-
Subtotal CCDF Cluster			<u>316,070</u>	<u>-</u>
Child Development Preschool Development Grant	93.434	15548	23,552	-
Total U.S. Department of Health And Human Services			<u>383,236</u>	<u>-</u>
U.S. Department of Agriculture				
Passed through California Department of Education (CDE):				
COVID-19 Pandemic EBT Local Administrative Grant	10.649	15644	614	-
Total U.S. Department of Agriculture			<u>614</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$14,371,571</u>	<u>\$10,028,033</u>

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

**Administration**

Name	Title
Lisette Estrella-Henderson	County Superintendent of Schools
Michelle Henson	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  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2022

	Final Report	
	Second Period Report	Annual Report
Elementary		
Juvenile halls, homes, and camps	1.58	1.67
Probation referred, on probation or parole, expelled	3.13	3.93
Total Elementary	4.71	5.60
Secondary		
Juvenile halls, homes, and camps	20.44	21.68
Probation referred, on probation or parole, expelled	18.11	20.79
Total Secondary	38.55	42.47
Special Education		
Kindergarten	10.59	11.43
Grade 1	8.47	9.50
Grade 2	11.70	12.31
Grade 3	10.78	11.35
Grade 4	10.18	11.10
Grade 5	6.35	6.57
Grade 6	11.88	12.19
Grade 7	12.91	13.94
Grade 8	8.43	9.35
Grade 9	7.02	7.38
Grade 10	9.26	10.26
Grade 11	8.16	9.29
Grade 12	106.51	109.55
Total Special Education	222.24	234.22
Total ADA	265.50	282.29

Solano County Office of Education  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2022

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2022.

Solano County Office of Education  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2022

	(Budget) 2023 <sup>1</sup>	2022	2021 <sup>1</sup>	2020 <sup>1</sup>
County School Service Fund				
Revenues	\$ 63,205,175	\$ 61,902,864	\$ 56,906,138	\$ 54,406,260
Other sources	-	-	50,221	-
<b>Total Revenues and Other Sources</b>	<b>63,205,175</b>	<b>61,902,864</b>	<b>56,956,359</b>	<b>54,406,260</b>
Expenditures	67,558,179	57,433,085	54,487,450	52,309,372
Other uses and transfers out	-	-	-	-
<b>Total Expenditures and Other Uses</b>	<b>67,558,179</b>	<b>57,433,085</b>	<b>54,487,450</b>	<b>52,309,372</b>
Increase (Decrease) in Fund Balance	<u>\$ (4,353,004)</u>	<u>\$ 4,469,779</u>	<u>\$ 2,468,909</u>	<u>\$ 2,096,888</u>
Ending Fund Balance	<u>\$ 37,431,466</u>	<u>\$ 41,784,470</u>	<u>\$ 37,314,691</u>	<u>\$ 34,845,782</u>
Available Reserves <sup>2</sup>	<u>\$ 24,956,000</u>	<u>\$ 25,806,285</u>	<u>\$ 23,229,267</u>	<u>\$ 24,127,361</u>
Available Reserves as A Percentage of Total Outgo	<u>36.94%</u>	<u>44.93%</u>	<u>42.63%</u>	<u>46.12%</u>
Long-Term Obligations	<u>Not Available</u>	<u>\$ 44,129,220</u>	<u>\$ 61,079,489</u>	<u>\$ 53,190,350</u>
SCOE Average Daily Attendance at P-2	<u>Not Available</u>	<u>266</u>	<u>N/A</u>	<u>319</u>

The County School Service Fund (General Fund) balance has increased by \$6,938,688 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$4,353,004 (10.42%). 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 2022-2023 fiscal year. Total long-term liabilities have decreased by \$9,061,130 over the past two years.

<sup>1</sup> Financial information for 2023, 2021, and 2020 are 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, 2022

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<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, 2022

	Adult Education Fund	Child Development Fund	County School Facilities Fund	Total Non-Major Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 8,874	\$ 89,521	\$ 3,142,289	\$ 3,240,684
Receivables	20,317	291,933	-	312,250
Due from other funds	979	77	-	1,056
<b>Total Assets</b>	<b>\$ 30,170</b>	<b>\$ 381,531</b>	<b>\$ 3,142,289</b>	<b>\$ 3,553,990</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 20,037	\$ 36,459	\$ 44,452	\$ 100,948
Due to other funds	7,826	337,261	-	345,087
<b>Total Liabilities</b>	<b>27,863</b>	<b>373,720</b>	<b>44,452</b>	<b>446,035</b>
<b>Fund Balances</b>				
Restricted	-	-	3,097,837	3,097,837
Assigned	2,307	7,811	-	10,118
<b>Total Fund Balance</b>	<b>2,307</b>	<b>7,811</b>	<b>3,097,837</b>	<b>3,107,955</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 30,170</b>	<b>\$ 381,531</b>	<b>\$ 3,142,289</b>	<b>\$ 3,553,990</b>

Solano County Office of Education  
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental  
Funds  
June 30, 2022

	Adult Education Fund	Child Development Fund	County School Facilities Fund	Total Non-Major Governmental Funds
<b>Revenues</b>				
Federal sources	\$ -	\$ 339,622	\$ -	\$ 339,622
Other state sources	19,120	317,347	-	336,467
Other local sources	(21)	(1,716)	(26,311)	(28,048)
<b>Total Revenues</b>	<b>19,099</b>	<b>655,253</b>	<b>(26,311)</b>	<b>648,041</b>
<b>Expenditures</b>				
<b>Current</b>				
Instruction-related activities				
Supervision of instruction	-	596,817	-	596,817
Pupil services				
All other pupil services	123,993	-	-	123,993
Administration				
All other administration	6,199	60,812	-	67,011
Facility acquisition and construction				
	-	-	3,062,073	3,062,073
<b>Total Expenditures</b>	<b>130,192</b>	<b>657,629</b>	<b>3,062,073</b>	<b>3,849,894</b>
<b>Net Change in Fund Balances</b>	<b>(111,093)</b>	<b>(2,376)</b>	<b>(3,088,384)</b>	<b>(3,201,853)</b>
Fund Balance - Beginning	113,400	10,187	6,186,221	6,309,808
<b>Fund Balance - Ending</b>	<b>\$ 2,307</b>	<b>\$ 7,811</b>	<b>\$ 3,097,837</b>	<b>\$ 3,107,955</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, 2022. 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	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		\$ 15,613,666
Special Education Cluster:		
Difference between cash and accrual basis	84.027A; 84.027; 84.0173A	(1,242,095)
Total Schedule of Expenditures of Federal Awards		\$ 14,371,571

### **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.

### **Schedule of Average Daily Attendance (ADA)**

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

### **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 – Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance**

These schedules are 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, 2022

# 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, 2022, and the related notes to the financial statements, which collectively comprise the COE’s basic financial statements and have issued our report thereon dated January 10, 2023.

**Report on 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 or significant deficiencies may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Solano County Office of Education'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.



San Ramon, California  
January 10, 2023



**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**

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

We have audited Solano County Office of Education’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Solano County Office of Education’s major federal programs for the year ended June 30, 2022. 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.

In our opinion, Solano County Office of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Solano County Office of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Solano County Office of Education’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Solano County Office of Education's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Solano County Office of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Solano County Office of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Solano County Office of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Solano County Office of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Solano County Office of Education's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

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

San Ramon, California  
January 10, 2023





## Independent Auditor's Report on State Compliance

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

### Report on Compliance

#### ***Opinion on State Compliance***

We have audited Solano County Office of Education's (the COE) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the COE's state program requirements identified below for the year ended June 30, 2022.

In our opinion, the COE complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

#### ***Basis for Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the COE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the COE's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the COE's state programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the COE's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the COE's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the COE's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the COE's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the COE's internal control over compliance. Accordingly, we express no such opinion, and;
- Select and test transactions and records to determine the COE's compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	No, see below

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
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
Juvenile Court Schools	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
 School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	No, see below
Career Technical Education Incentive Grant	No, see below
In Person Instruction Grant	Yes
 Charter Schools	
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
Annual Instructional Minutes - Classroom Based	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.

#### Continuation Education

We did not perform Continuation Education procedures because the program is not offered by the COE.

#### 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.

#### Middle or Early College High Schools

We did not perform Middle or Early College High Schools procedures because the program is not offered by the COE.

#### 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.

#### After/Before School Education and Safety Program

We did not perform procedures for the After/Before School Education and Safety Program because the COE did not offer the program.

#### 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.

#### Immunization

The COE was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

#### Expanded Learning Opportunities Grant (ELO-G)

The COE did not receive the Expanded Learning Opportunities Grant, therefore, we did not perform any related procedures.

#### Career Technical Education Incentive Grant

We did not perform Career Technical Education Incentive Grant procedures because the COE did not receive funding for this grant.

#### Charter Schools

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

#### **Report on 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 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2021-2022 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  
January 10, 2023



Schedule of Findings and Questioned Costs  
June 30, 2022

# 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
Special Education Cluster (IDEA)	84.027, 84.027A, and 84.173A
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126A
COVID-19: Education Stabilization Fund (ESF)	84.425D, 84.425U, 84.425W, 84.425C
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**State Compliance**

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for programs	Unmodified

None reported.



None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.