

NAPA COUNTY OFFICE OF EDUCATION

AUDIT REPORT
JUNE 30, 2022



NAPA COUNTY OFFICE
OF
EDUCATION

**NAPA COUNTY OFFICE OF EDUCATION
TABLE OF CONTENTS
JUNE 30, 2022**

FINANCIAL SECTION

Report on the Audit of the Financial Statements	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds – Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Fiduciary Funds – Statement of Net Position	18
Fiduciary Funds – Statement of Changes in Net Position.....	19
Notes to Financial Statements.....	20

REQUIRED SUPPLEMENTARY INFORMATION

County School Service Fund – Budgetary Comparison Schedule	52
Special Education Pass-Through Fund – Budgetary Comparison Schedule	53
Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios	54
Schedule of the County Office of Education’s Proportionate Share of the Net Pension Liability - CalSTRS	55
Schedule of the County Office of Education’s Proportionate Share of the Net Pension Liability - CalPERS	56
Schedule of County Office of Education Contributions - CalSTRS	57
Schedule of County Office of Education Contributions - CalPERS.....	58
Notes to Required Supplementary Information	59

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards.....	61
Schedule of Average Daily Attendance (ADA)	63
Schedule of Financial Trends and Analysis	64
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	65
Schedule of Charter Schools	66
Combining Statements – Non-Major Governmental Funds	
Combining Balance Sheet	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	68
Local Education Agency Organization Structure	69
Notes to Supplementary Information	70

**NAPA COUNTY OFFICE OF EDUCATION
TABLE OF CONTENTS
JUNE 30, 2022**

OTHER INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*72
Report on Compliance For Each Major Federal Program; and Report on Internal Control Over
Compliance Required by the Uniform Guidance74
Report on State Compliance77

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results.....81
Financial Statement Findings82
Federal Award Findings and Questioned Costs84
State Award Findings and Questioned Costs85
Summary Schedule of Prior Audit Findings.....86

FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Napa County Office of Education
Napa, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Napa County Office of Education, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Napa County Office of Education's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Napa 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Napa 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 Napa 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 generally accepted auditing standards 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 judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 Napa 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Napa 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in net OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of County Office of Education contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Napa County Office of Education's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2023 on our consideration of the Napa 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 the Napa 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 Napa County Office of Education's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
April 10, 2023

NAPA COUNTY OFFICE OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

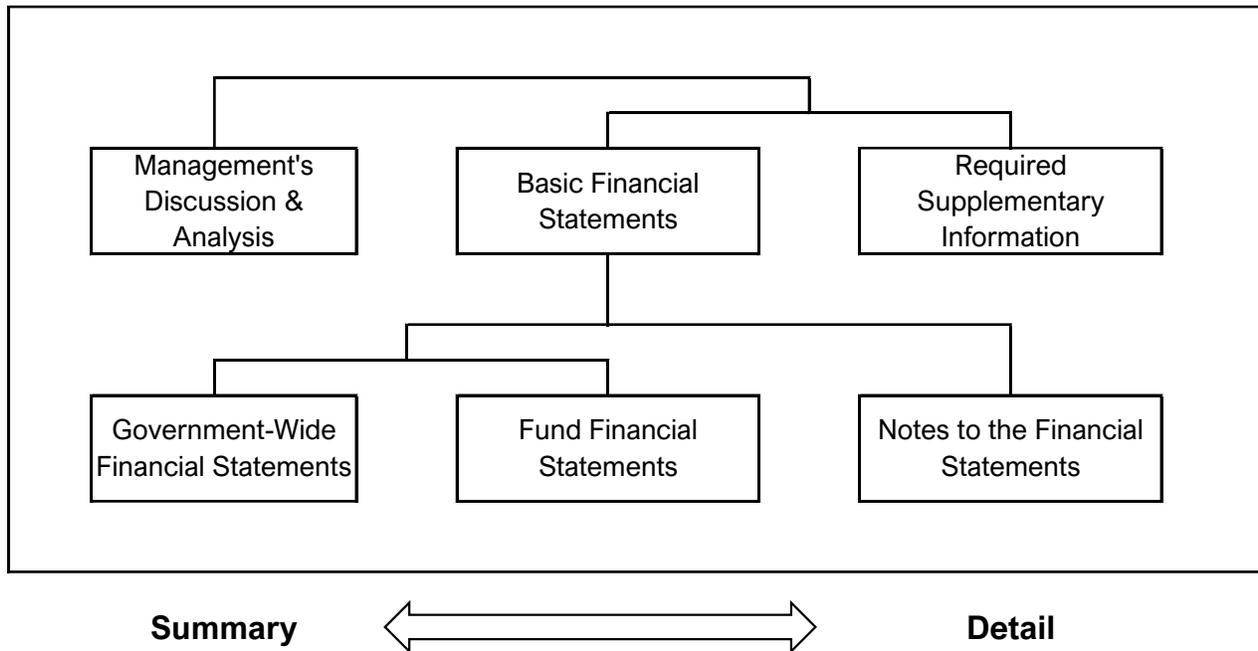
Our discussion and analysis of Napa County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the County Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County Office of Education's total net position was \$1,690,256 at June 30, 2022. This was an increase of \$4,356,358 from the prior year.
- Overall revenues were \$53,603,446 which exceeded expenses of \$49,247,088.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of County Office of Education operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County Office of Education’s programs.

 - ▶ **Fiduciary Funds** report resources held for the benefit of parties outside of the County Office of Education. Fiduciary funds are not reflected in the government-wide statement because the resources of the fund are not available to support the County Office of Education’s own programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

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

The two government-wide statements report the County Office of Education’s net position and how it has changed. Net position is one way to measure the County Office of Education’s financial health or position. Over time, increases or decreases in the County Office of Education’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the County Office of Education include governmental activities. All of the County Office of Education’s basic services are included here, such as regular education, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**NAPA COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The County Office of Education's net position was \$1,690,256 at June 30, 2022, as reflected in the table below. Of this amount, \$(14,448,839) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2022	2021	Net Change
ASSETS			
Current and other assets	\$ 33,188,508	\$ 35,445,769	\$ (2,257,261)
Capital assets	24,826,547	19,548,318	5,278,229
Total Assets	58,015,055	54,994,087	3,020,968
DEFERRED OUTFLOWS OF RESOURCES	8,701,572	8,373,741	327,831
LIABILITIES			
Current liabilities	14,684,427	14,198,558	485,869
Long-term liabilities	37,051,983	50,772,031	(13,720,048)
Total Liabilities	51,736,410	64,970,589	(13,234,179)
DEFERRED INFLOWS OF RESOURCES	13,289,961	1,063,341	12,226,620
NET POSITION			
Net investment in capital assets	12,539,688	6,863,636	5,676,052
Restricted	3,599,407	7,048,593	(3,449,186)
Unrestricted	(14,448,839)	(16,578,331)	2,129,492
Total Net Position	\$ 1,690,256	\$ (2,666,102)	\$ 4,356,358

**NAPA COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the County Office of Education as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2022	2021	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 8,454,952	\$ 9,207,134	\$ (752,182)
Operating grants and contributions	35,441,727	28,683,686	6,758,041
General revenues			
Property taxes	7,231,349	7,629,778	(398,429)
Unrestricted federal and state aid	2,023,153	2,120,187	(97,034)
Other	452,265	1,024,371	(572,106)
Total Revenues	53,603,446	48,665,156	4,938,290
EXPENSES			
Instruction	14,450,075	13,959,868	490,207
Instruction-related services	14,564,255	14,849,741	(285,486)
Pupil services	3,212,921	3,901,506	(688,585)
General administration	6,145,250	6,738,924	(593,674)
Plant services	1,321,662	1,128,288	193,374
Ancillary and community services	51,503	59,068	(7,565)
Debt service	361,364	-	361,364
Other outgo	8,200,223	5,678,408	2,521,815
Depreciation	939,835	433,197	506,638
Total Expenses	49,247,088	46,749,000	2,498,088
Change in net position	4,356,358	1,916,156	2,440,202
Net Position - Beginning	(2,666,102)	(4,582,258)	1,916,156
Net Position - Ending	\$ 1,690,256	\$ (2,666,102)	\$ 4,356,358

The cost of all our governmental activities this year was \$49,247,088 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$7,231,349 because the remaining portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions, charges for services, unrestricted federal and state aid, and miscellaneous revenues.

**NAPA COUNTY OFFICE OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the County Office of Education’s functions. Net cost shows the financial burden that was placed on the County Office of Education’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2022	2021
Instruction	\$ 111,843	\$ 2,077,604
Instruction-related services	1,047,251	2,679,877
Pupil services	33,145	577,798
General administration	3,318,176	4,191,899
Plant services	(528,513)	(1,234,006)
Ancillary and community services	(2,990)	6,651
Debt service	361,364	-
Transfers to other agencies	70,298	125,160
Depreciation	939,835	433,197
Total	\$ 5,350,409	\$ 8,858,180

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION’S MAJOR FUNDS

The financial performance of the County Office of Education as a whole is reflected in its governmental funds as well. As the County Office of Education completed this year, its governmental funds reported a combined fund balance of \$18,097,592, which is less than last year’s ending fund balance of \$21,451,508. The County Office of Education’s County School Service Fund had \$1,085,714 more in operating revenues than expenditures for the year ended June 30, 2022. The County Office of Education’s Special Education Pass-Through Fund had \$92,133 less in operating revenues than expenditures for the year ended June 30, 2022.

CURRENT YEAR BUDGET 2021-2022

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a periodic basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the County Office of Education’s financial projections and current budget based on State and local financial information.

**NAPA COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2022**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2021-2022 the County Office of Education had invested \$24,826,547 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Construction in progress	\$ -	\$ 13,188,228	\$ (13,188,228)
Land improvements	698,171	505,183	192,988
Buildings & improvements	28,290,883	10,926,477	17,364,406
Furniture & equipment	4,380,249	2,531,351	1,848,898
Less: Accumulated depreciation	(8,542,756)	(7,602,921)	(939,835)
Total	\$ 24,826,547	\$ 19,548,318	\$ 5,278,229

Long-Term Liabilities

At year-end, the County Office of Education had \$37,051,983 in long-term liabilities. This was a decrease of 27% from last year, as shown in the table below. More detailed information about the County Office of Education's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2022	2021	Net Change
LONG-TERM LIABILITIES			
Total certificates of participation	\$ 12,286,859	\$ 12,684,682	\$ (397,823)
Compensated absences	311,020	451,930	(140,910)
Net pension liability	23,960,927	37,277,242	(13,316,315)
CCFRF loan	840,000	840,000	-
Less: current portion of long-term liabilities	(346,823)	(481,823)	135,000
Total	\$ 37,051,983	\$ 50,772,031	\$ (13,720,048)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its September 2022 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was likely to muddle along with below-trend growth and continued high inflation over the next twelve months. No recession is forecast at this time; however, the possibility still exists that persistent inflation and aggressive interest rate policy will lead to a hard landing of the economy, potentially triggering a recession. In California, defense spending and technology demands will likely keep the economy growing.

**NAPA COUNTY OFFICE OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2022 Budget Revision includes total funding of \$128.3 billion (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs, additionally, the revised spending plan further accelerates the implementation of the “California for All Kids” plan, which is a whole-child support framework designed to target inequities in educational outcomes among students from different demographic backgrounds and empower parents and families with more options and services. The Proposition 98 Guarantee continues to be in Test 1 for 2021-22 and 2022-23. To accommodate enrollment increases related to the expansion of transitional kindergarten, the Governor’s Budget proposed re-benching the Test 1 percentage to increase the percentage of General Fund revenues due to the Guarantee, from 38.03 percent to approximately 38.4 percent. The May Revision updates the increased Test 1 percentage from approximately 38.4 percent to approximately 38.3 percent. At May Revision, the 2022-23 cost-of-living adjustment (COLA) is updated to 6.56 percent, the largest COLA in the history of LCFF.

The County Office of Education participates in state employee pensions plans, California State Teachers’ Retirement System (CalSTRS) and California Public Employees’ Retirement System (CalPERS) and both are underfunded. The COE’s proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2022. The amount of the liability is material to the financial position of the County Office of Education. The CalSTRS projected employer contribution rate for 2022-23 is 19.10 percent. The CalPERS projected employer contribution rate for 2022-23 is 25.37 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

All of these factors were considered in preparing the County Office’s budget for the 2022-23 fiscal year.

CONTACTING THE COUNTY OFFICE OF EDUCATION’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the County Office of Education’s finances and to show the County Office of Education’s accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Joshua Schultz, Deputy Superintendent, Napa County Office of Education at (707) 253-6832.

**NAPA COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and investments	\$ 15,359,102
Accounts receivable	16,369,616
Prepaid expenses	532,734
Net OPEB asset	927,056
Capital assets, net of accumulated depreciation	24,826,547
Total Assets	58,015,055
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	8,000,698
Deferred outflows related to OPEB	700,874
Total Deferred Outflows of Resources	8,701,572
LIABILITIES	
Deficit cash	538,502
Accrued liabilities	9,086,727
Unearned revenue	4,712,375
Long-term liabilities, current portion	346,823
Long-term liabilities, non-current portion	37,051,983
Total Liabilities	51,736,410
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	12,500,766
Deferred inflows related to OPEB	789,195
Total Deferred Inflows of Resources	13,289,961
NET POSITION	
Net investment in capital assets	12,539,688
Restricted:	
Capital projects	746,462
Debt service	612,733
Educational programs	1,996,524
Food service	243,688
Unrestricted	(14,448,839)
Total Net Position	\$ 1,690,256

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

**NAPA COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 14,450,075	\$ 3,449,098	\$ 10,889,134	\$ (111,843)
Instruction-related services				
Instructional supervision and administration	14,255,094	2,108,534	11,358,204	(788,356)
Instructional library, media, and technology	309,161	40,610	9,656	(258,895)
Pupil services				
Home-to-school transportation	124,722	99,306	18,127	(7,289)
Food services	894,429	52,902	878,224	36,697
All other pupil services	2,193,770	1,039,151	1,092,066	(62,553)
General administration				
Centralized data processing	1,633,655	-	-	(1,633,655)
All other general administration	4,511,595	608,076	2,218,998	(1,684,521)
Plant services	1,321,662	125,206	1,724,969	528,513
Community services	51,503	-	54,493	2,990
Interest on long-term debt	361,364	-	-	(361,364)
Other outgo	8,200,223	932,069	7,197,856	(70,298)
Depreciation (unallocated)	939,835	-	-	(939,835)
Total Governmental Activities	\$ 49,247,088	\$ 8,454,952	\$ 35,441,727	(5,350,409)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				7,231,349
Federal and state aid not restricted for specific purposes				2,023,153
Interest and investment earnings				(622,831)
Interagency revenues				610,747
Miscellaneous				464,349
Subtotal, General Revenue				9,706,767
CHANGE IN NET POSITION				4,356,358
Net Position - Beginning				(2,666,102)
Net Position - Ending				\$ 1,690,256

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

**NAPA COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 12,574,756	\$ 2,030,458	\$ 753,888	\$ 15,359,102
Accounts receivable	13,659,958	1,581,978	1,127,680	16,369,616
Prepaid expenditures	532,734	-	-	532,734
Total Assets	\$ 26,767,448	\$ 3,612,436	\$ 1,881,568	\$ 32,261,452
LIABILITIES				
Deficit cash	\$ -	\$ -	\$ 538,502	\$ 538,502
Accrued liabilities	5,180,272	3,704,569	28,142	8,912,983
Unearned revenue	4,711,461	-	914	4,712,375
Total Liabilities	9,891,733	3,704,569	567,558	14,163,860
FUND BALANCES				
Nonspendable	733,952	-	-	733,952
Restricted	2,446,710	12,431	1,314,010	3,773,151
Assigned	12,491,855	-	-	12,491,855
Unassigned	1,203,198	(104,564)	-	1,098,634
Total Fund Balances	16,875,715	(92,133)	1,314,010	18,097,592
Total Liabilities and Fund Balances	\$ 26,767,448	\$ 3,612,436	\$ 1,881,568	\$ 32,261,452

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

**NAPA COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2022**

Total Fund Balance - Governmental Funds \$ 18,097,592

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 33,369,303	
Accumulated depreciation	<u>(8,542,756)</u>	24,826,547

Net OPEB asset:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported. The net OPEB asset balance at the end of the period was:

927,056

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:

(173,744)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total certificates of participation	\$ 12,286,859	
Compensated absences	311,020	
Net pension liability	23,960,927	
CCFRF loan	<u>840,000</u>	(37,398,806)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 8,000,698	
Deferred inflows of resources related to pensions	<u>(12,500,766)</u>	(4,500,068)

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 700,874	
Deferred inflows of resources related to OPEB	<u>(789,195)</u>	(88,321)

Total Net Position - Governmental Activities \$ 1,690,256

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

**NAPA COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 9,198,869	\$ -	\$ -	\$ 9,198,869
Federal sources	11,411,242	3,817,517	968,693	16,197,452
Other state sources	11,714,042	4,361,706	3,901,284	19,977,032
Other local sources	8,477,958	(92,133)	1,131,012	9,516,837
Total Revenues	40,802,111	8,087,090	6,000,989	54,890,190
EXPENDITURES				
Current				
Instruction	12,867,028	-	3,310,508	16,177,536
Instruction-related services				
Instructional supervision and administration	14,553,484	-	748,187	15,301,671
Instructional library, media, and technology	332,839	-	-	332,839
Pupil services				
Home-to-school transportation	128,287	-	-	128,287
Food services	5,254	-	920,113	925,367
All other pupil services	2,380,701	-	206,456	2,587,157
General administration				
Centralized data processing	1,682,800	-	-	1,682,800
All other general administration	4,553,942	-	473,311	5,027,253
Plant services	1,136,956	-	224,044	1,361,000
Facilities acquisition and construction	1,468,663	-	4,411,374	5,880,037
Community services	-	-	54,493	54,493
Transfers to other agencies	-	8,179,223	-	8,179,223
Debt service				
Principal	375,000	-	-	375,000
Interest and other	231,443	-	-	231,443
Total Expenditures	39,716,397	8,179,223	10,348,486	58,244,106
Excess (Deficiency) of Revenues Over Expenditures	1,085,714	(92,133)	(4,347,497)	(3,353,916)
Other Financing Sources (Uses)				
Transfers in	-	-	615,268	615,268
Transfers out	(615,268)	-	-	(615,268)
Net Financing Sources (Uses)	(615,268)	-	615,268	-
NET CHANGE IN FUND BALANCE	470,446	(92,133)	(3,732,229)	(3,353,916)
Fund Balance - Beginning, as Restated	16,405,269	-	5,046,239	21,451,508
Fund Balance - Ending	\$ 16,875,715	\$ (92,133)	\$ 1,314,010	\$ 18,097,592

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

**NAPA COUNTY OFFICE OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ (3,353,916)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	6,218,064	
Depreciation expense:		(939,835)	5,278,229

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

375,000

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(173,744)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

140,910

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

\$ 343,111

(continued on the following page)

**NAPA COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2022**

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: \$ 1,723,945

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 22,823

Change in Net Position of Governmental Activities	\$	<u>4,356,358</u>
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**NAPA COUNTY OFFICE OF EDUCATION
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2022**

	<u>Payroll Trust Fund</u>
ASSETS	
Cash and investments	\$ 5,233,887
Total Assets	<u>5,233,887</u>
LIABILITIES	
Accrued liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET POSITION	
Restricted	5,233,887
Total Net Position	<u>\$ 5,233,887</u>

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

**NAPA COUNTY OFFICE OF EDUCATION
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Payroll Trust Fund</u>
ADDITIONS	
Investment earnings	\$ 313,119
Total Additions	<u>313,119</u>
 CHANGE IN NET POSITION	 313,119
Net Position - Beginning	<u>4,920,768</u>
Net Position - Ending	<u>\$ 5,233,887</u>

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

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Napa County Office of Education (the “County Office of Education” or the “COE”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the County Office of Education conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The County Office of Education operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County Office of Education consists of all funds, departments and agencies that are not legally separate from the County Office of Education. For the County Office of Education, this includes general operations and student-related activities.

B. Component Units

Component units are legally separate organizations for which the County Office of Education is financially accountable. Component units may also include organizations that are fiscally dependent on the County Office of Education in that the County Office of Education approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the County Office of Education is not financially accountable but the nature and significance of the organization's relationship with the County Office of Education is such that exclusion would cause the County Office of Education's financial statements to be misleading or incomplete. During the year ended June 30, 2018, NCOE Foundation was created and incorporated as a blended component unit of the Napa County Office of Education. The financial activity of the NCOE Foundation has been blended, or combined, with the activity of the County School Service Fund for presentation in the financial statements.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the County Office of Education). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the County Office of Education's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the County Office of Education.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the County Office of Education's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County Office of Education that cannot be used to support the County Office of Education's own programs.

Major Governmental Funds

County School Service Fund: The County School Service Fund is the main operating fund of the County Office of Education. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the County Office of Education's activities are reported in the County School Service Fund unless there is a compelling reason to account for an activity in another fund. A County Office of Education may have only one County School Service Fund.

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for special education revenue passed through to other member LEAs.

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The County Office of Education maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the County Office of Education for, or from the operation of, child development services covered under the Child Care and Development Services Act (Education Code Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the County Office of Education's food service program (*Education Code Sections 38091 and 38100*).

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

Payroll Trust Fund: This agency fund exists as a clearing account for payroll and withholdings for all school districts in Napa County.

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California LEA’s and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for LEA’s as collectible within one year.

Non-exchange transactions, in which the County Office of Education receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the County Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office of Education on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the County Office of Education prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County Office of Education has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the County Office of Education’s policy to use restricted resources first, then unrestricted resources as they are needed.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The County Office of Education's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The County Office of Education maintains a capitalization threshold of \$5,000. The County Office of Education does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 50 years depending on the asset class.

Interfund Balances

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

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the County Office of Education. The County Office of Education's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability/(asset), deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 – June 30, 2021

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the County Office of Education will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the County Office of Education will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the County Office of Education is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the County School Service Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the County School Service Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The County Office of Education applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

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

G. Estimates

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

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The County Office of Education governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

I. Property Tax

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

J. New Accounting Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The County Office of Education has implemented this Statement as of June 30, 2022.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The County Office of Education has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives 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. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The County Office of Education has fully implemented this Statement as of June 30, 2022.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The County Office of Education has not yet determined the impact on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The County Office of Education has implemented this Statement as of June 30, 2022.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The County Office of Education has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The County Office of Education has not yet determined the impact on the financial statements.

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The County Office of Education has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>
Investment in county treasury*	\$ 14,755,692	\$ 5,503,421
Fair value adjustment	(749,045)	(269,534)
Cash with fiscal agent	786,477	-
Cash in revolving fund	27,476	-
Total	<u>\$ 14,820,600</u>	<u>\$ 5,233,887</u>

*net of deficit cash

B. Policies and Practices

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

Investment in County Treasury – The County Office of Education maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Napa County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County Treasurer’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the County Office of Education’s investment in the pool is based upon the County Office of Education’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent – The County Office of Education maintains cash balances with US Bank related to the 2021 Certificates of Participation.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest County Office of Education funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County Office of Education manages its exposure to interest rate risk by investing in the County Treasury. The County Office of Education maintains a pooled investment with the County Treasury with a fair value of \$14,006,647 in governmental activities. The County Office of Education also maintains a pooled investment with the County Treasury with a fair value of \$5,233,887 in fiduciary activities. The weighted average maturity for this pool is 434 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2022, the pooled investments in the County Treasury were not rated.

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the County Office of Education's deposits may not be returned to it. The County Office of Education does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2022, the County Office of Education's bank balance was not exposed to custodial credit risk.

G. Fair Value

The County Office of Education categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the County Office of Education's own data. The County Office of Education should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the County Office of Education are not available to other market participants.

Uncategorized - Investments in the Napa County Treasury Investment Pool are not measured using the input levels above because the County Office of Education's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The County Office of Education's fair value measurements at June 30, 2022 were as follows for governmental and fiduciary activities:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 19,240,534</u>
Total	<u>\$ 19,240,534</u>

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government				
Categorical aid	\$ 6,711,119	\$ 1,581,978	\$ 404,305	\$ 8,697,402
State Government				
Categorical aid	4,580,617	-	607,318	5,187,935
Lottery	6,971	-	-	6,971
Local Government				
Other local sources	2,361,251	-	116,057	2,477,308
Total	\$ 13,659,958	\$ 1,581,978	\$ 1,127,680	\$ 16,369,616

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2021	Additions	Deletions/ Adjustments	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Construction in progress	\$ 13,188,228	\$ -	\$ 13,188,228	\$ -
Total capital assets not being depreciated	13,188,228	-	13,188,228	-
Capital assets being depreciated				
Land improvements	505,183	192,988	-	698,171
Buildings & improvements	10,926,477	17,364,406	-	28,290,883
Furniture & equipment	2,531,351	1,848,898	-	4,380,249
Total capital assets being depreciated	13,963,011	19,406,292	-	33,369,303
Less: Accumulated depreciation				
Land improvements	111,614	-	6,166	105,448
Buildings & improvements	5,632,745	680,556	-	6,313,301
Furniture & equipment	1,858,562	265,445	-	2,124,007
Total accumulated depreciation	7,602,921	946,001	6,166	8,542,756
Total capital assets being depreciated, net	6,360,090	18,460,291	(6,166)	24,826,547
Governmental Activities				
Capital Assets, net	\$ 19,548,318	\$ 18,460,291	\$ 13,182,062	\$ 24,826,547

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Transfers

During the year ended June 30, 2022, the County Office of Education made the following interfund transfers:

	Interfund Transfers Out	Interfund Transfers In	
		Non-Major Governmental Funds	Total
County School Service Fund		\$ 615,268	\$ 615,268
Total		\$ 615,268	\$ 615,268
Transfer from the County School Service Fund to the Child Development Fund from the NCOE Foundation.			\$ 100,000
Transfer from the County School Service Fund to the County School Facilities Fund to support construction project costs.			515,268
Total			\$ 615,268

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	COE-Wide	Governmental Activities
Payroll	\$ 633,601	\$ -	\$ -	\$ -	\$ 633,601
Other liabilities	2,735,627	-	-	-	2,735,627
Vendors payable	1,811,044	-	28,142	-	1,839,186
Due to subrecipients	-	3,704,569	-	-	3,704,569
Unmatured interest	-	-	-	173,744	173,744
Total	\$ 5,180,272	\$ 3,704,569	\$ 28,142	\$ 173,744	\$ 9,086,727

NOTE 7 – UNEARNED REVENUE

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

	County School Service Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	\$ 1,167,027	\$ -	\$ 1,167,027
State categorical sources	1,984,688	-	1,984,688
Local sources	1,559,746	914	1,560,660
Total	\$ 4,711,461	\$ 914	\$ 4,712,375

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022 consisted of the following:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Balance Due In One Year
Governmental Activities					
Direct placement certificates of participation	\$ 12,000,000	\$ -	\$ 375,000	\$ 11,625,000	\$ 240,000
Unamortized premium	684,682	-	22,823	661,859	22,823
Total direct placement certificates of participation	12,684,682	-	397,823	12,286,859	262,823
Compensated absences	451,930	-	140,910	311,020	-
Net pension liability	37,277,242	-	13,316,315	23,960,927	-
CCFRF loan	840,000	-	-	840,000	84,000
Total	\$ 51,253,854	\$ -	\$ 13,855,048	\$ 37,398,806	\$ 346,823

A. Certificates of Participation

On June 2, 2021, the Napa County Office of Education issued the 2021 Certificates of Participation (COPs) in the principal amount of \$12,000,000 for the purpose of funding capital projects. The COPs bear interest rates ranging from 2.25% to 4.00% and are scheduled to mature in January 2051. Payments on the COPs are made in the County School Service Fund. The annual requirements to amortize the 2021 COPs outstanding as of June 30, 2022 are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 240,000	\$ 347,488	\$ 587,488
2024	245,000	337,888	582,888
2025	255,000	328,088	583,088
2026	270,000	317,888	587,888
2027	280,000	307,087	587,087
2028 - 2032	1,570,000	1,358,836	2,928,836
2033 - 2037	1,900,000	1,019,439	2,919,439
2038 - 2042	2,200,000	724,561	2,924,561
2043 - 2047	2,465,000	456,581	2,921,581
2048 - 2051	2,200,000	139,125	2,339,125
Total	\$ 11,625,000	\$ 5,336,981	\$ 16,961,981

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2022 amounted to \$311,020. This amount is included as part of long-term liabilities in the government-wide financial statements. Payments for compensated absences are typically liquidated in the County School Service Fund and the non-major governmental fund.

C. Net Pension Liability

The County Office of Education's beginning net pension liability was \$37,277,242 and decreased by \$13,316,315 during the year ended June 30, 2022. The ending net pension liability at June 30, 2022 was \$23,960,927. See Note 11 for additional information regarding the net pension liability.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Child Care Facilities Revolving Fund (CCFRF) Loan

During the year ended June 30, 2021, the County Office of Education entered into a Child Care Facilities Revolving Fund Loan with the California Department of Education for purposes of financing a facilities project at Calistoga Preschool. The loan does not bear any interest. No payments were made on the loan during the year ended June 30, 2022. Principal payments are scheduled to be made as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2023	\$ 84,000
2024	84,000
2025	84,000
2026	84,000
2027	84,000
2028 - 2032	420,000
Total	\$ 840,000

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2022:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 27,476	\$ -	\$ -	\$ 27,476
Prepaid expenditures	706,476	-	-	706,476
Total non-spendable	733,952	-	-	733,952
Restricted				
Educational programs	1,660,233	12,431	323,860	1,996,524
Food service	-	-	243,688	243,688
Capital projects	-	-	746,462	746,462
Debt service	786,477	-	-	786,477
Total restricted	2,446,710	12,431	1,314,010	3,773,151
Assigned				
Counterparty risk	7,157,414	-	-	7,157,414
Special reserve	4,700,209	-	-	4,700,209
Special reserve for OPEB	634,232	-	-	634,232
Total assigned	12,491,855	-	-	12,491,855
Unassigned	1,203,198	(104,564)	-	1,098,634
Total	\$ 16,875,715	\$ (92,133)	\$ 1,314,010	\$ 18,097,592

The County Office of Education is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The County Office of Education’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of County School Service Fund expenditures and other financing uses.

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

A. Plan Description

The County Office of Education participates in a single-employer retiree benefit plan that provides post-employment health insurance benefits to eligible employees. The County Office of Education’s OPEB plan (the Plan) provides retiree health benefits, based on age, service and eligibility for pension benefits under either the California State Teachers' Retirement System (CalSTRS) or California Public Employees' Retirement System (CalPERS).

B. OPEB Plan Fiduciary Net Position

The County Office of Education is a participant in the California Employers’ Retiree Benefit Trust (CERBT) and has invested assets that are accumulated in the trust. Detailed information about the Plan’s fiduciary net position is available in the separately-issued CalPERS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. This report also contains information on the Trust’s investment policies. Copies of the CalPERS’ ACFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

C. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below. (Some grandfathered certificated retirees receive additional benefits under a recent retirement incentive.)

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
Benefit types provided	Medical	Medical	Medical
Duration of Benefits	To age 65*	To age 65*	To age 65*
Required Service	10 years*	10 years*	10 years*
Minimum Age	55	55*	55*
Dependent Coverage	No	No	No
COE Contribution %	100%	100%	100%
COE Cap	\$325 per month*	\$350 per month*	None*

*Those who do not qualify for the above benefits or who exhaust these benefits are entitled to statutory minimum CalPERS contributions toward medical coverage.

All contracts with County Office of Education employees will be renegotiated at various times in the future and, thus, costs and benefits are subjected to change. Benefits and contribution requirements (both employee and employer) for OPEB Plan are established by various labor agreements.

D. Contributions

For the measurement period, the County Office of Education contributed \$493,885 to the Plan, of which \$142,882 was used for current premiums and \$351,003 was contributed to the trust. The County Office of Education is a participant in the CERBT trust and has invested assets that are accumulated in the trust, which meets the criteria in paragraph 4 of GASB Statement 75.

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	64
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>256</u>
Total number of participants**	<u>320</u>

**As of the June 30, 2021 valuation date

F. Net OPEB Liability/(Asset)

The components of the net OPEB liability/(asset) of the County Office of Education at June 30, 2022, were as follows:

Total OPEB liability	\$ 4,382,893
Plan fiduciary net position	<u>5,309,949</u>
COE's net OPEB liability/(asset)	<u>\$ (927,056)</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 121.15%

G. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	6.75%
Healthcare cost trend rates	4.00%

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

G. Actuarial Assumptions and Other Inputs (continued)

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality Table
Classified	2017 CalPERS Active Mortality for Miscellaneous Employees Table

Retirement rates:

Certificated	<u>Hired 2012 and earlier:</u> 2020 CalSTRS 2% at 60 Rates <u>Hired after 2013:</u> 2020 CalSTRS 2% at 62 Rates
Classified	<u>Hired 2012 and earlier:</u> 2017 CalPERS 2% at 60 Rates <u>Hired after 2013:</u> 2017 CalPERS 2% at 62 Rates

Vesting rates:

Certificated Management	Statutory minimum benefits: 100% at 5 years of service Supplemental benefits: 100% at 10 years of service
Certificated	Statutory minimum benefits: 100% at 5 years of service Supplemental benefits: 100% at 10 years of service
Classified	Statutory minimum benefits: 100% at 5 years of service Supplemental benefits: 100% at 10 years of service
Classified Management	Statutory minimum benefits: 100% at 5 years of service Supplemental benefits: 100% at 10 years of service

The actuarial assumptions used in the June 30, 2021 valuation were based on a review of plan experience during the period 2019 to 2021.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty-four years.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Changes in Net OPEB Liability/(Asset)

	<u>June 30, 2022</u>
Total OPEB Liability	
Service cost	\$ 210,653
Interest on total OPEB liability	262,329
Difference between expected and actual experience	86,322
Changes of assumptions	252,804
Benefits payments	<u>(142,882)</u>
Net change in total OPEB liability	669,226
Total OPEB liability - beginning	<u>3,713,667</u>
Total OPEB liability - ending (a)	<u>\$ 4,382,893</u>
 Plan fiduciary net position	
Contributions - employer	\$ 351,003
Net investment income	1,112,168
Benefit payments	(142,882)
Administrative expenses	<u>(1,533)</u>
Net change in plan fiduciary net position	1,318,756
Plan fiduciary net position - beginning	<u>3,991,193</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,309,949</u>
 COE's net OPEB liability - ending (a) - (b)	<u>\$ (927,056)</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	121.2%
 Covered-employee payroll	\$ 19,083,811
 COE's net OPEB liability (asset) as a percentage of covered-employee payroll	-4.86%

I. Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability/(asset) of the Napa County Office of Education, as well as what the County Office of Education's net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Valuation Discount Rate	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Net OPEB liability/(asset)	\$ (316,926)	\$ (927,056)	\$ (1,430,412)

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability/(asset) of the Napa County Office of Education, as well as what the County Office of Education’s net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Valuation Trend Rate	1% Increase
	(3.00%)	(4.00%)	(5.00%)
Net OPEB liability/(asset)	\$ (1,520,051)	\$ (927,056)	\$ (179,822)

K. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the Napa County Office of Education recognized OPEB expense of \$62,194. At June 30, 2022, the Napa County Office of Education 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
Differences between projected and actual earnings on plan investments	\$ 85,445	\$ 665,482
Differences between expected and actual experience	78,944	123,713
Changes in assumptions	231,196	-
COE contributions subsequent to the measurement date	305,289	-
Total	\$ 700,874	\$ 789,195

The \$305,289 reported as deferred outflows of resources related to OPEB resulting from County Office contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 59,006	\$ 184,713
2024	59,006	179,674
2025	54,391	179,674
2026	28,986	179,673
2027	28,986	14,563
Thereafter	165,210	50,898
Total	\$ 395,585	\$ 789,195

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The County Office of Education reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 5,618,366	\$ 2,849,184	\$ 5,418,196	\$ 324,279
PERS Pension	18,342,561	5,151,514	7,082,570	2,356,383
Total	\$ 23,960,927	\$ 8,000,698	\$ 12,500,766	\$ 2,680,662

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The County Office of Education contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2022, respectively, and the County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the County Office of Education were \$1,210,224 for the year ended June 30, 2022.

On-Behalf Payments

The County Office of Education was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$794,000 to CalSTRS.

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

At June 30, 2022, the County Office of Education reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office of Education. The amount recognized by the County Office of Education as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the County Office of Education were as follows:

COE's proportionate share of the net pension liability	\$ 5,618,366
State's proportionate share of the net pension liability associated with the COE	2,827,003
Total	<u>\$ 8,445,369</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 rolling forward the total pension liability to June 30, 2021. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’s long-term share of contributions to the pension plan relative to the projected contributions of all participating local education agencies, actuarially determined. At June 30, 2021, the County Office of Education’s proportion was 0.012 percent, which was unchanged from its proportion measured as of June 30, 2020.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

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

For the year ended June 30, 2022, the County Office of Education recognized pension expense of \$324,279. In addition, the County Office of Education recognized pension expense and revenue of \$(492,744) for support provided by the State. At June 30, 2022, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 4,444,272
Differences between expected and actual experience	14,074	597,911
Changes in assumptions	796,062	-
Changes in proportion and differences between COE contributions and proportionate share of contributions	828,824	376,013
COE contributions subsequent to the measurement date	1,210,224	-
Total	<u>\$ 2,849,184</u>	<u>\$ 5,418,196</u>

The \$1,210,224 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 550,045	\$ 1,378,776
2024	550,415	1,245,781
2025	190,529	1,246,263
2026	136,508	1,411,696
2027	136,509	76,051
2028	74,954	59,629
Total	<u>\$ 1,638,960</u>	<u>\$ 5,418,196</u>

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County Office of Education’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the County Office of Education’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
COE's proportionate share of the net pension liability	\$ 11,436,983	\$ 5,618,366	\$ 789,026

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

B. California Public Employees’ Retirement System (CalPERS)

Plan Description

The County Office of Education contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees’ Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The County Office of Education is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022 was 22.91% of annual payroll. Contributions to the plan from the County Office of Education were \$3,194,383 for the year ended June 30, 2022.

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

At June 30, 2022, the County Office of Education reported a liability of \$18,342,561 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The County Office of Education’s proportion of the net pension liability was based on a projection of the County Office of Education’s long-term share of contributions to the pension plan relative to the projected contributions of all participating local education agencies, actuarially determined. At June 30, 2021, the County Office of Education’s proportion was 0.090 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the County Office of Education recognized pension expense of \$2,356,383. At June 30, 2022, the County Office of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 7,039,329
Differences between expected and actual experience	547,572	43,241
Changes in proportion and differences between COE contributions and proportionate share of contributions	1,409,559	-
COE contributions subsequent to the measurement date	3,194,383	-
Total	<u>\$ 5,151,514</u>	<u>\$ 7,082,570</u>

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

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

The \$3,194,383 reported as deferred outflows of resources related to pensions resulting from County Office of Education contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 936,644	\$ 1,779,872
2024	647,114	1,637,910
2025	373,373	1,707,014
2026	-	1,957,774
Total	\$ 1,957,131	\$ 7,082,570

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

Sensitivity of the County Office of Education’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County Office of Education’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the County Office of Education’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
COE's proportionate share of the net pension liability	\$ 30,928,133	\$ 18,342,561	\$ 7,893,836

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022**

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The County Office of Education received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2022.

B. Litigation

The County Office of Education is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the County Office of Education at June 30, 2022.

C. Construction Commitments

As of June 30, 2022, the County Office of Education had outstanding commitments with respect to unfinished capital projects in the amount of \$4,513,699.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The County Office of Education participates in two joint powers agreement (JPA) entities, the North Bay Schools Insurance Authority for Workers' Compensation and Property and Liability Insurance and the Schools Self Insurance of Contra Costa County for Dental and Vision. The relationship is such that the JPAs are not component units of the County Office of Education for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the County Office of Education are included in these financial statements. Audited financial statements are available from the respective entities.

**NAPA COUNTY OFFICE OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2022**

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the County Office of Education recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the government-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2022, total deferred outflows related to pensions was \$8,000,698 and total deferred inflows related to pensions was \$12,500,766.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the County Office of Education recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the government-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2022, total deferred outflows related to OPEB was \$700,874 and total deferred inflows related to OPEB was \$789,195.

NOTE 15 – RESTATEMENT FUND BALANCE

The beginning fund balance for the County School Service Fund and the County School Facilities Fund have been restated in order to more accurately reflect the substance of transactions that occurred in the prior year. The effect on beginning fund balance is presented as follows:

	<u>County School Service Fund</u>	<u>County School Facilities Fund</u>
Fund Balance - Beginning, as Previously Reported	\$ 15,712,160	\$ 5,347,735
Restatement	693,109	(693,109)
Fund Balance - Beginning, as Restated	<u>\$ 16,405,269</u>	<u>\$ 4,654,626</u>

REQUIRED SUPPLEMENTARY INFORMATION

**NAPA COUNTY OFFICE OF EDUCATION
COUNTY SCHOOL SERVICE FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 9,368,454	\$ 9,226,929	\$ 9,198,869	\$ (28,060)
Federal sources	12,094,708	15,746,593	11,478,682	(4,267,911)
Other state sources	9,468,018	14,621,351	11,643,399	(2,977,952)
Other local sources	10,140,319	11,495,299	9,051,923	(2,443,376)
Total Revenues	41,071,499	51,090,172	41,372,873	(9,717,299)
EXPENDITURES				
Certificated salaries	6,788,307	6,986,856	6,294,550	692,306
Classified salaries	14,218,956	14,971,431	13,903,701	1,067,730
Employee benefits	6,841,914	6,877,014	6,336,611	540,403
Books and supplies	2,613,104	5,633,117	2,006,417	3,626,700
Services and other operating expenditures	9,927,558	14,726,795	9,307,103	5,419,692
Capital outlay	301,115	1,990,046	1,734,883	255,163
Other outgo				
Excluding transfers of indirect costs	526,036	526,036	526,036	-
Transfers of indirect costs	(419,667)	(578,912)	(473,311)	(105,601)
Total Expenditures	40,797,323	51,132,383	39,635,990	11,496,393
Excess (Deficiency) of Revenues Over Expenditures	274,176	(42,211)	1,736,883	1,779,094
Other Financing Sources (Uses)				
Transfers in	-	10,000	10,000	-
Contributions	-	677	-	(677)
Transfers out	-	(338,822)	(625,268)	(286,446)
Net Financing Sources (Uses)	-	(328,145)	(615,268)	(287,123)
NET CHANGE IN FUND BALANCE	274,176	(370,356)	1,121,615	1,491,971
Fund Balance - Beginning	10,412,581	10,412,581	10,412,581	-
Fund Balance - Ending	\$ 10,686,757	\$ 10,042,225	\$ 11,534,196	\$ 1,491,971

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the County School Service Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- Revenues for the Special Education Discretionary Grant are presented as federal revenue in this schedule, while this amount has been reclassified as state revenue in the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- Audit adjustments are not reflected in the schedule above.

**NAPA COUNTY OFFICE OF EDUCATION
SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 3,685,077	\$ 3,817,517	\$ 3,817,517	\$ -
Other state sources	2,024,369	4,422,702	4,361,706	(60,996)
Other local sources	-	-	12,431	12,431
Total Revenues	5,709,446	8,240,219	8,191,654	(48,565)
EXPENDITURES				
Other outgo				
Excluding transfers of indirect costs	5,709,446	8,240,219	8,179,223	60,996
Total Expenditures	5,709,446	8,240,219	8,179,223	60,996
Excess (Deficiency) of Revenues Over Expenditures	-	-	12,431	12,431
NET CHANGE IN FUND BALANCE	-	-	12,431	12,431
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ 12,431	\$ 12,431

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance because audit adjustments are not reflected in the schedule above.

**NAPA COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability					
Service cost	\$ 210,653	\$ 205,015	\$ 197,856	\$ 192,561	\$ 187,407
Interest on total OPEB liability	262,329	240,306	230,534	211,004	193,312
Difference between expected and actual experience	86,322	(178)	(164,995)	-	-
Changes of assumptions	252,804	-	-	-	-
Benefits payments	<u>(142,882)</u>	<u>(123,999)</u>	<u>(130,586)</u>	<u>(123,822)</u>	<u>(142,438)</u>
Net change in total OPEB liability	669,226	321,144	132,809	279,743	238,281
Total OPEB liability - beginning	<u>3,713,667</u>	<u>3,392,523</u>	<u>3,259,714</u>	<u>2,979,971</u>	<u>2,741,690</u>
Total OPEB liability - ending (a)	<u>\$ 4,382,893</u>	<u>\$ 3,713,667</u>	<u>\$ 3,392,523</u>	<u>\$ 3,259,714</u>	<u>\$ 2,979,971</u>
Plan fiduciary net position					
Contributions - employer	\$ 351,003	\$ 297,765	\$ 285,105	\$ 287,786	\$ 290,251
Net investment income	1,112,168	136,752	214,523	237,595	272,426
Benefit payments	(142,882)	(123,999)	(136,348)	(123,822)	(142,438)
Administrative expenses	<u>(1,533)</u>	<u>(1,830)</u>	<u>(727)</u>	<u>(5,465)</u>	<u>(2,287)</u>
Net change in plan fiduciary net position	1,318,756	308,688	362,553	396,094	417,952
Plan fiduciary net position - beginning	<u>3,991,193</u>	<u>3,682,505</u>	<u>3,319,952</u>	<u>2,923,858</u>	<u>2,505,906</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,309,949</u>	<u>\$ 3,991,193</u>	<u>\$ 3,682,505</u>	<u>\$ 3,319,952</u>	<u>\$ 2,923,858</u>
COE's net OPEB liability - ending (a) - (b)	<u>\$ (927,056)</u>	<u>\$ (277,526)</u>	<u>\$ (289,982)</u>	<u>\$ (60,238)</u>	<u>\$ 56,113</u>
Plan fiduciary net position as a percentage of the total OPEB liability	121.2%	107.5%	108.5%	101.8%	98.1%
Covered-employee payroll	\$ 19,083,811	\$ 19,269,571	\$ 17,870,198	\$ 17,259,143	\$ 17,259,143
COE's net OPEB liability (asset) as a percentage of covered-employee payroll	-4.86%	-1.44%	-1.62%	-0.35%	0.33%

See accompanying notes to required supplementary information.

**NAPA COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
COE's proportion of the net pension liability	0.012%	0.012%	0.011%	0.012%	0.011%	0.012%	0.012%	0.011%
COE's proportionate share of the net pension liability	\$ 5,618,366	\$ 11,290,996	\$ 10,078,227	\$ 10,879,622	\$ 10,497,747	\$ 9,385,548	\$ 7,909,822	\$ 6,428,070
State's proportionate share of the net pension liability associated with the COE	2,827,003	5,820,463	5,498,390	6,229,124	6,210,429	5,343,811	4,183,413	3,881,546
Total	<u>\$ 8,445,369</u>	<u>\$ 17,111,459</u>	<u>\$ 15,576,617</u>	<u>\$ 17,108,746</u>	<u>\$ 16,708,176</u>	<u>\$ 14,729,359</u>	<u>\$ 12,093,235</u>	<u>\$ 10,309,616</u>
COE's covered payroll	\$ 6,794,532	\$ 6,474,721	\$ 6,211,133	\$ 6,281,999	\$ 6,184,602	\$ 5,540,676	\$ 4,740,388	\$ 4,852,642
COE's proportionate share of the net pension liability as a percentage of its covered payroll	82.7%	174.4%	162.3%	173.2%	169.7%	169.4%	166.9%	132.5%
Plan fiduciary net position as a percentage of the total pension liability	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**NAPA COUNTY OFFICE OF EDUCATION
 SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
 FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
COE's proportion of the net pension liability	0.090%	0.085%	0.083%	0.082%	0.085%	0.087%	0.089%	0.087%
COE's proportionate share of the net pension liability	\$ 18,342,561	\$ 25,986,246	\$ 24,139,330	\$ 21,962,120	\$ 20,229,752	\$ 17,181,052	\$ 13,225,104	\$ 9,842,561
COE's covered payroll	\$ 12,988,464	\$ 12,272,319	\$ 11,650,717	\$ 11,084,087	\$ 11,074,541	\$ 9,937,270	\$ 9,084,459	\$ 9,102,849
COE's proportionate share of the net pension liability as a percentage of its covered payroll	141.2%	211.7%	207.2%	198.1%	182.7%	172.9%	145.6%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**NAPA COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,210,224	\$ 1,086,780	\$ 1,075,688	\$ 992,278	\$ 900,773	\$ 770,946	\$ 617,428	\$ 492,012
Contributions in relation to the contractually required contribution*	(1,210,224)	(1,086,780)	(1,075,688)	(992,278)	(900,773)	(770,946)	(617,428)	(492,012)
Contribution deficiency (excess)	<u>\$ -</u>							
COE's covered payroll	\$ 7,240,125	\$ 6,794,532	\$ 6,474,721	\$ 6,211,133	\$ 6,281,999	\$ 6,184,602	\$ 5,540,676	\$ 4,740,388
Contributions as a percentage of covered payroll	16.72%	15.99%	16.61%	15.98%	14.34%	12.47%	11.14%	10.38%

*Amounts do not include on-behalf contributions

**NAPA COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 3,194,383	\$ 2,687,742	\$ 2,412,203	\$ 2,078,245	\$ 1,694,351	\$ 1,480,986	\$ 1,246,350	\$ 1,169,716
Contributions in relation to the contractually required contribution*	(3,194,383)	(2,687,742)	(2,412,203)	(2,078,245)	(1,694,351)	(1,480,986)	(1,246,350)	(1,169,716)
Contribution deficiency (excess)	<u>\$ -</u>							
COE's covered payroll	\$ 13,934,030	\$ 12,988,464	\$ 12,272,319	\$ 11,650,717	\$ 11,084,087	\$ 11,074,541	\$ 9,937,270	\$ 9,084,459
Contributions as a percentage of covered payroll	22.93%	20.69%	19.66%	17.84%	15.29%	13.37%	12.54%	12.88%

*Amounts do not include on-behalf contributions

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the County School Service Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the County Office of Education's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability/(asset), and the components of the net OPEB liability/(asset) and related ratios, including the OPEB plan's fiduciary net position as a percentage of the net OPEB liability/(asset), and the net OPEB liability/(asset) as a percentage of covered-employee payroll.

Schedule of the County of Education Contributions for OPEB

This 10-year schedule is not required to be presented as there was no actuarially determined contribution, nor any contribution requirement established by statute or contract.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for OPEB.

Changes in Assumptions

The interest assumption changed from 7.00% to 6.75%. Assumed rates of retirement, termination, and mortality have been updated to align with those currently being used by the statewide pension systems.

Schedule of the County Office of Education's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education's proportion (percentage) of the collective net pension liability, the County Office of Education's proportionate share (amount) of the collective net pension liability, the County Office of Education's covered payroll, the County Office of Education's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of County Office of Education Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the County Office of Education's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the County Office of Education's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the County Office of Education's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, the County Office of Education did not incur any excess expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedules by major object code.

SUPPLEMENTARY INFORMATION

**NAPA COUNTY OFFICE OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U. S. DEPARTMENT OF EDUCATION:				
<i>Passed through California Department of Education:</i>				
Title I, Part A				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 46,279	\$ -
ESSA School Improvement (CSI) Funding For COEs	84.010	15439	28,694	-
Title I, Part D, Local Delinquent Programs	84.010	14357	98,217	-
Subtotal Title I, Part A			<u>173,190</u>	<u>-</u>
Title II, Comprehensive Literacy State Development (CLSD) Grant	84.371	15493	566,920	-
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	521,931	-
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,032,955	3,592,958
Preschool Capacity Building Part B	84.173A	13839	1,478,564	-
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	224,559	224,559
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	145,121	-
Desired Results Access	84.173	08133	842,398	-
Alternative Dispute Resolution	84.173A	13007	47,093	-
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,870	-
Subtotal Special Education Cluster			<u>6,773,560</u>	<u>3,817,517</u>
Special Education: State Improvement Grant [1]	84.323	14920	1,833,460	-
IDEA Early Intervention Grants, Part C	84.181	23761	45,383	-
Strengthening Career and Technical Education for the 21st Century (Perkins V)	84.048	14894	108,761	-
Education for Homeless Children and Youth, Subtitle VII-B McKinney-Vento Act	84.196	14332	79,582	-
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants: [1]				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	30,679	-
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	40,053	-
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	311,861	-
ESSER - California Community Schools Partnership Program	84.425	15537	376,317	-
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	70,042	-
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	16,075	-
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	45,659	-
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	78,708	-
American Rescue Plan-Homeless Children and Youth (ARP-HCY) Program	84.425	15564	5,542	-
21st Century Community Learning Centers (CCLC) Rate Increase: ESSER III State Reserve	84.425	15651	1,465,548	-
Subtotal Education Stabilization Fund Discretionary Grants			<u>2,440,484</u>	<u>-</u>
Total U. S. Department of Education			<u>12,543,271</u>	<u>3,817,517</u>
U. S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through California Department of Education:</i>				
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:				
Child Nutrition Cluster				
National School Lunch Program	10.555	13391	39,794	-
Summer Food Service Program for Children	10.559	13004	22,116	-
SNP COVID-19 Emergency Operational Costs Reimbursement	10.555	15637	11,110	-
Subtotal Child Nutrition Cluster			<u>73,020</u>	<u>-</u>
Pandemic EBT Local Administrative Grant	10.649	15644	614	-
<i>Passed through California Department of Social Services:</i>				
Child and Adult Care Food Program (CACFP)				
CACFP Claims - Centers and Family Day Care	10.558	13393	626,711	-
CACFP COVID-19 Emergency Operational Costs Reimbursement	10.558	15577	108,479	-
Subtotal Child and Adult Care Food Program			<u>735,190</u>	<u>-</u>
Total U. S. Department of Agriculture			<u>808,824</u>	<u>-</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Passed through California Department of Education:</i>				
Child Care and Development Block Grant				
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	93.575	15555	1,827	-
ARP California State Preschool Program One-time Stipend	93.575	15640	69,345	-
Child Development: Quality Improvement Activities	93.575	14130	29,353	-
Federal Local Planning Councils (Contract Prefix CLPC)	93.575	13946	53,117	-
Subtotal Child Care and Development Block Grant			<u>153,642</u>	<u>-</u>
<i>Direct Aid:</i>				
Drug Free CATALYST Program	93.276	1H79SP020957-01	131,521	-
Substance Abuse and Mental Health Services Projects				
SPF Partnerships for Success	93.243	1H79SP081279-01	377,432	-
Subtotal Substance Abuse and Mental Health Services Projects			<u>377,432</u>	<u>-</u>
Total U. S. Department of Health & Human Services			<u>\$ 662,595</u>	<u>\$ -</u>

[1] - Major Program

* - Pass-Through Entity Identifying Number not available or not applicable

(continued on the following page)

**NAPA COUNTY OFFICE OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster</u>	<u>AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U. S. DEPARTMENT OF TRANSPORTATION:				
<i>Passed through Napa County Transportation and Planning Agency:</i>				
Congestion Mitigation & Air Quality Improvement (Napa County Transportation Authority)	20.205	04-6510F15	\$ 30,892	\$ -
Total U. S. Department of Transportation			<u>30,892</u>	<u>-</u>
CORPORATION FOR NATIONAL COMMUNITY SERVICE:				
<i>Passed through California Office of Planning and Research:</i>				
Ameri-Corps				
Ameri-Corps: Cal Serves	94.006	14AFHY22-F133	254,809	-
Ameri-Corps: Cal Serves ARP	94.006	21ACIY28-C143	120,059	-
Ameri-Corps: VIP	94.006	14ESHY23-X112	1,505,494	-
Ameri-Corps: VIP Hart	94.006	ACY27-X112	265,280	-
Subtotal Ameri-Corps			<u>2,145,642</u>	<u>-</u>
Total Corporation for National Community Service			<u>2,145,642</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 16,191,224</u>	<u>\$ 3,817,517</u>

See accompanying note to supplementary information.

**NAPA COUNTY OFFICE OF EDUCATION
 SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
 FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Annual Report
COUNTY OFFICE OF EDUCATION		
Juvenile Halls, Homes, and Camps		
High School	8.70	7.19
Probation Referred, On Probation or Parole, Expelled		
Elementary	7.60	8.47
High School	69.80	70.23
TOTAL COUNTY OFFICE OF EDUCATION ADA	86.10	85.89

**NAPA COUNTY OFFICE OF EDUCATION
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2022**

	2023 (Budget)	2022	2021	2020
County School Service Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 48,106,644	\$ 41,382,873	\$ 38,039,436	\$ 34,002,551
Expenditures And Other Financing Uses	49,069,928	40,261,258	36,561,748	36,183,058
Net change in Fund Balance	<u>\$ (963,284)</u>	<u>\$ 1,121,615</u>	<u>\$ 1,477,688</u>	<u>\$ (2,180,507)</u>
Ending Fund Balance	<u>\$ 10,570,912</u>	<u>\$ 11,534,196</u>	<u>\$ 10,412,581</u>	<u>\$ 8,934,893</u>
Available Reserves*	<u>\$ 1,779,599</u>	<u>\$ 1,203,198</u>	<u>\$ 1,265,018</u>	<u>\$ 1,196,282</u>
Available Reserves As A Percentage Of Outgo	<u>3.63%</u>	<u>2.99%</u>	<u>3.46%</u>	<u>3.31%</u>
Long-term Liabilities	<u>\$ 37,051,983</u>	<u>\$ 37,398,806</u>	<u>\$ 51,253,854</u>	<u>\$ 35,075,144</u>
Average Daily Attendance At P-2***	<u>98</u>	<u>86</u>	<u>111</u>	<u>111</u>

The County School Service Fund balance has increased by \$2,599,303 over the past two years. However, the fiscal year 2022-23 budget projects an decrease of \$963,284. For a County Office of Education this size, the State recommends available reserves of at least 3% of County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County Office of Education has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2022-23 fiscal year. Total long-term obligations have increased by \$2,323,662 over the past two years.

Average daily attendance has decreased by 25 ADA over the past two years. However, an increase of 12 ADA is anticipated during the 2022-23 fiscal year.

*Available reserves consist of all unassigned fund balance within the County School Service Fund.

**The actual amounts reported in this schedule are for the County School Service Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Other Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54. In addition, audit adjustments and reclassifications are not reflected in the schedule above.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**NAPA COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	County School Service Fund	Special Education Pass- Through Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve for Post- Employment Benefits Fund	County School Facilities Fund
June 30, 2022, annual financial and budget report fund balance	\$ 11,534,196	\$ 12,431	\$ 4,700,209	\$ 634,232	\$ 785,286
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Cash with fiscal agent - 2021 COP account	786,477	-	-	-	-
Prepaid expenditures adjustment - 2021 COP account wire transfer	(173,742)	-	-	-	-
Fair value adjustment - cash in county treasury	(605,657)	(104,564)	-	-	(38,824)
Fund balance transfer (GASB 54)	5,334,441	-	(4,700,209)	(634,232)	-
Net adjustments and reclassifications	5,341,519	(104,564)	(4,700,209)	(634,232)	(38,824)
June 30, 2022, audited financial statement fund balance	\$ 16,875,715	\$ (92,133)	\$ -	\$ -	\$ 746,462

See accompanying note to supplementary information.

**NAPA COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2022**

The County Office of Education did not sponsor any charter schools for the year ended June 30, 2022.

**NAPA COUNTY OFFICE OF EDUCATION
COMBINING BALANCE SHEET
JUNE 30, 2022**

	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ -	\$ -	\$ 753,888	\$ 753,888
Accounts receivable	801,488	326,088	104	1,127,680
Total Assets	\$ 801,488	\$ 326,088	\$ 753,992	\$ 1,881,568
LIABILITIES				
Deficit cash	\$ 458,320	\$ 80,182	\$ -	\$ 538,502
Accrued liabilities	18,394	2,218	7,530	28,142
Unearned revenue	914	-	-	914
Total Liabilities	477,628	82,400	7,530	567,558
FUND BALANCES				
Restricted	323,860	243,688	746,462	1,314,010
Total Fund Balances	323,860	243,688	746,462	1,314,010
Total Liabilities and Fund Balances	\$ 801,488	\$ 326,088	\$ 753,992	\$ 1,881,568

See accompanying note to supplementary information.

**NAPA COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES				
Federal sources	\$ 243,208	\$ 725,485	\$ -	\$ 968,693
Other state sources	3,870,556	30,728	-	3,901,284
Other local sources	1,151,750	1,259	(21,997)	1,131,012
Total Revenues	<u>5,265,514</u>	<u>757,472</u>	<u>(21,997)</u>	<u>6,000,989</u>
EXPENDITURES				
Current				
Instruction	3,310,508	-	-	3,310,508
Instruction-related services				
Instructional supervision and administration	748,187	-	-	748,187
Pupil services				
Food services	205,564	714,549	-	920,113
All other pupil services	206,456	-	-	206,456
General administration				
All other general administration	450,817	22,494	-	473,311
Plant services	224,044	-	-	224,044
Facilities acquisition and construction	9,939	-	4,401,435	4,411,374
Community services	54,493	-	-	54,493
Total Expenditures	<u>5,210,008</u>	<u>737,043</u>	<u>4,401,435</u>	<u>10,348,486</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>55,506</u>	<u>20,429</u>	<u>(4,423,432)</u>	<u>(4,347,497)</u>
Other Financing Sources (Uses)				
Transfers in	100,000	-	515,268	615,268
Net Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>515,268</u>	<u>615,268</u>
NET CHANGE IN FUND BALANCE	155,506	20,429	(3,908,164)	(3,732,229)
Fund Balance - Beginning, as Restated	168,354	223,259	4,654,626	5,046,239
Fund Balance - Ending	<u>\$ 323,860</u>	<u>\$ 243,688</u>	<u>\$ 746,462</u>	<u>\$ 1,314,010</u>

See accompanying note to supplementary information.

**NAPA COUNTY OFFICE OF EDUCATION
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2022**

The Napa County Office of Education was established in 1852 and provides coordination of the educational program for the independent school districts located in Napa County and also provides professional and financial supervision for three school districts under its direct jurisdiction. In addition, the Superintendent maintains special schools and programs countywide independently of the school districts.

GOVERNING BOARD

Member	Office	Term Expires
Don J. Huffman	President	December 2022
Ann Cash	Member	December 2022
Jennifer Kresge	Member	December 2024
Gerald Parrott	Member	December 2024
Jean Donaldson	Member	December 2024
Janna Waldinger	Member	December 2022
Sindy Biederman	Member	December 2024

COUNTY OFFICE OF EDUCATION ADMINISTRATORS

Barbara Nemko, Ph.D.
Superintendent

Joshua Schultz
Deputy Superintendent

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County Office of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2022 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2022.

	<u>AL</u>	
	<u>Number</u>	<u>Amount</u>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 16,197,452
CRRSA Act - One-time Stipend	93.575	1,827
ARP California State Preschool Program One-time Stipend	93.575	<u>(8,055)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 16,191,224</u>

The County Office of Education passes-through certain Federal assistance received to other governments (subrecipients). The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. The County Office of Education is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

The County Office of Education has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

**NAPA COUNTY OFFICE OF EDUCATION
NOTES TO SUPPLEMENTARY INFORMATION, continued
JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Charter Schools

This schedule lists all charter schools chartered by the County Office of Education and displays information for each charter school on whether or not the charter school is included in the County Office of Education audit.

Combining Statements – Non-Major Funds

These statements provide information on the County Office of Education’s non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the County Office of Education's boundaries and schools operated, members of the governing board, and members of the administration.

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

Governing Board
Napa County Office of Education
Napa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Napa County Office of Education, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Napa County Office of Education's basic financial statements, and have issued our report thereon dated April 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Napa 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 Napa County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Napa County Office of Education's internal control.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the Schedule of Audit Findings and Questioned Costs as Findings #2022-001 and #2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Napa 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 statement. 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*.

Napa County Office of Education's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Napa County Office of Education's response to the findings identified in our audit and described in the Schedule of Audit Findings and Questioned Costs. The Napa County Office of Education's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Christy White, Inc.

San Diego, California
April 10, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
Napa County Office of Education
Napa, California

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

We have audited Napa 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 Napa County Office of Education's major federal programs for the year ended June 30, 2022. Napa 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, Napa County Office of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) 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 Napa 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 audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Napa 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 the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Napa County Office of Education's federal programs.

Auditor's Responsibilities for the Audit for 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 Napa 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Napa County Office of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 Napa County Office of Education's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Napa 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 Napa 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 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.

Report on Internal Control Over Compliance (continued)

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.

Christy White, Inc.

San Diego, California
April 10, 2023

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Napa County Office of Education
Napa, California

Report on State Compliance***Opinion on State Compliance***

We have audited Napa County Office of Education's compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Napa County Office of Education's state programs for the fiscal year ended June 30, 2022, as identified below.

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

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Napa 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 audit opinion on state compliance. Our audit does not provide a legal determination of Napa 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 the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Napa County Office of Education's state programs.

Auditor’s Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Napa 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 generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Napa County Office of Education's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement 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 Napa County Office of Education's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Napa 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 K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Napa County Office of Education's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Napa County Office of Education's compliance with the state laws and regulations related to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

Auditor’s Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In-Person Instruction Grant	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term “Not Applicable” is used above to mean either the County Office did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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 or 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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 state 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 State Compliance section 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. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control Over Compliance (continued)

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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
April 10, 2023

**SCHEDULE OF FINDINGS AND
QUESTIONED COSTS**

**NAPA COUNTY OFFICE OF EDUCATION
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.425</u>	<u>Education Stabilization Fund Discretionary Grants</u>
<u>84.323</u>	<u>Special Education: State Improvement Grant</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with <i>2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**NAPA COUNTY OFFICE OF EDUCATION
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2022-001: INTERNAL CONTROL OVER FINANCIAL REPORTING – MATERIAL WEAKNESS (30000)

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the County Office’s financial statements. The County Office should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition: During our audit, we found a deficiency in internal control over financial reporting. During the preparation of the unaudited actuals, the County Office did not properly account for the activity of the 2021 COP account held with US Bank. This issue resulted in a material audit adjustment to the financial statements.

Effect: Audit adjustments were required due to material misstatements within the unaudited financial statements prepared by the County Office.

Cause: The conditions appeared to be due to general oversight and turnover in management and staffing.

Repeat Finding: This is not a repeat finding.

Recommendation: The County Office should implement procedures to ensure that the financial activities of the 2021 COP bank account are properly recorded in the County Office’s financial statements.

Corrective Action Plan: Napa COE concurs with the finding that the cash balance of the external COP bank account was not accurately recorded in the 2020-21 unaudited financial statements and the subsequent audit adjustment entry sent by Christy White Inc. was not recorded. In addition, a new entry for 2021-22 to reconcile to the June 30, 2022 cash balance of this account was not recorded.

Napa COE recognizes that operating with only one staff member in charge of ensuring all general ledger entries for external accounts are made is not adequate internal controls and opens the agency to possible misstatements within the unaudited financial statements. Going forward, general ledger management of external accounts will be further supported by a second staff member that is already supporting cash reconciliation and will be well suited to ensuring these balances are accurately reflected in the general ledger.

**NAPA COUNTY OFFICE OF EDUCATION
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2022-002: INTERNAL CONTROL OVER CAPITAL ASSETS REPORTING – MATERIAL WEAKNESS (30000)

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. This should include procedures and controls that allow for the timely and accurate reporting of capital assets balances. Such internal controls should include a review of additions, deletions, depreciation, and conversion entries used in the preparation of the County Office's financial statements. The County Office should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition: Although the capital assets and related accumulated depreciation balances appear to be materially accurate based on our audit procedures, we found that the County Office does not have adequate controls in place to ensure for the timely and accurate reporting of capital assets balances.

Effect: The weaknesses noted during our audit procedures indicate that there is a reasonable possibility that a material misstatement of capital assets balance will not be prevented, or detected and corrected on a timely basis

Cause: Difficulties encountered by management in transitioning to a new capital assets reporting software.

Repeat Finding: This is not a repeat finding.

Recommendation: The County Office should implement procedures to ensure that capital assets balance are properly recorded in the County Office's financial statements.

Corrective Action Plan: Napa COE concurs with the finding of inadequate internal control procedures to ensure timely and accurate reporting of capital asset balances. In 2021-22 Napa COE straddled two asset tracking systems and completed the transition in 2022-23. During this time there was also a change in the director managing the General Services and Purchasing Department, which created a need to be heavily reliant on consultants to provide guidance and support to staff performing asset management tasks.

Napa COE now has a Director of General Services that has been in place for one year and the transition to the new asset tracking software has been completed. Going forward, we will have procedures in place to ensure timely and accurate reporting, including the following:

- Identify and train additional internal staff to support the asset management task.
- Identify dates for a mid-year check-in to ensure asset additions balance to the financial general ledger records.

**NAPA COUNTY OFFICE OF EDUCATION
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2022.

**NAPA COUNTY OFFICE OF EDUCATION
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

There were no state award findings or questioned costs for the year ended June 30, 2022.

**NAPA COUNTY OFFICE OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no findings or questioned costs for the year ended June 30, 2021.