

LAKE COUNTY OFFICE OF EDUCATION

AUDIT REPORT
JUNE 30, 2022



LAKE COUNTY
OFFICE OF EDUCATION

TO TEACH. TO SERVE. TO LEARN.

**LAKE COUNTY OFFICE OF EDUCATION
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JUNE 30, 2022**

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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Lake County Office of Education
Lakeport, 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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, schedules of proportionate share of net pension liability, and schedules of county 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 Lake 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 December 13, 2022 on our consideration of the Lake 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 Lake 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 Lake County Office of Education's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
December 13, 2022

LAKE COUNTY OFFICE OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

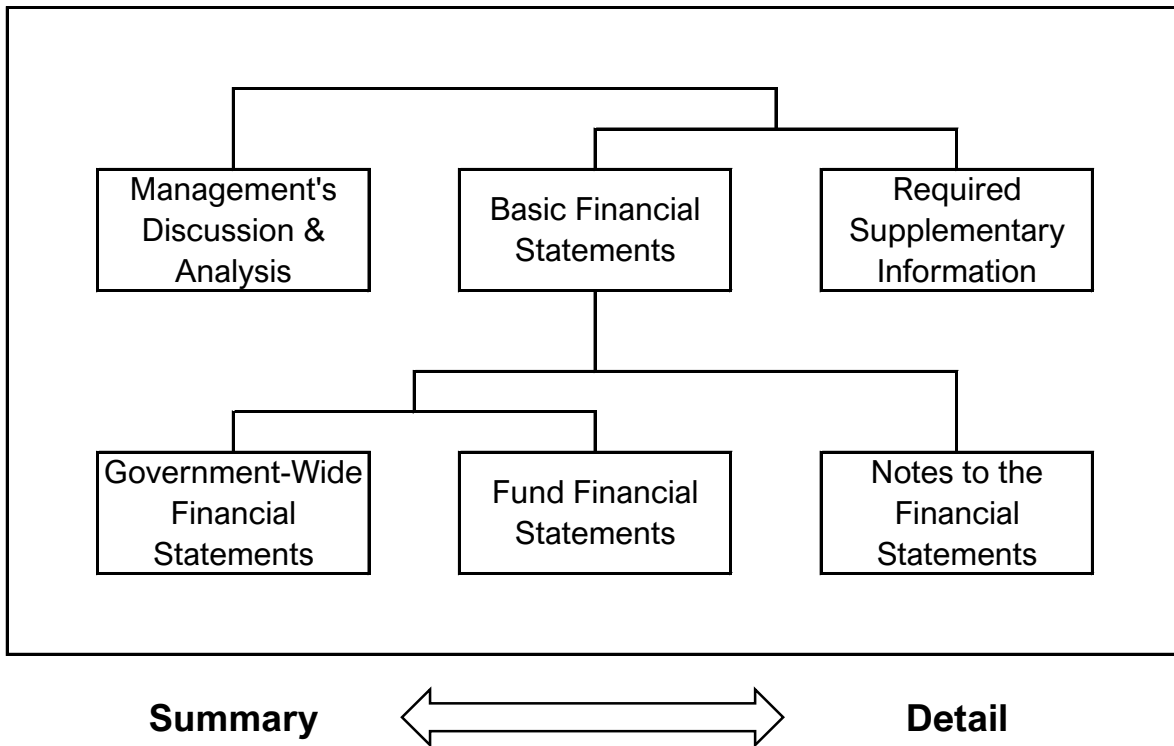
Our discussion and analysis of Lake County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the County Office of Education's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

FINANCIAL HIGHLIGHTS

- The County Office of Education's total net position was \$11,080,085 at June 30, 2022. This was an increase of \$2,455,670 from the prior year.
- Overall revenues were \$25,687,253 which exceeded expenses of \$23,231,583.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**LAKE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

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.

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.

**LAKE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The County Office of Education's net position was \$11,080,085 at June 30, 2022, as reflected in the table below. Of this amount, \$(2,857,820) 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	\$ 16,815,849	\$ 18,396,074	\$ (1,580,225)
Capital assets	7,143,188	7,054,156	89,032
Total Assets	23,959,037	25,450,230	(1,491,193)
DEFERRED OUTFLOWS OF RESOURCES	3,430,047	3,888,882	(458,835)
LIABILITIES			
Current liabilities	3,280,157	6,610,092	(3,329,935)
Long-term liabilities	8,758,701	13,702,305	(4,943,604)
Total Liabilities	12,038,858	20,312,397	(8,273,539)
DEFERRED INFLOWS OF RESOURCES	4,270,141	402,300	3,867,841
NET POSITION			
Net investment in capital assets	7,143,188	7,054,156	89,032
Restricted	6,794,717	4,658,638	2,136,079
Unrestricted	(2,857,820)	(3,088,379)	230,559
Total Net Position	\$ 11,080,085	\$ 8,624,415	\$ 2,455,670

**LAKE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The County Office of Education's total revenues were \$25,687,253. The majority of revenues come from charges for services and operating grants, at approximately 70%. LCFF and property taxes accounted for approximately 18% of revenues. Miscellaneous local sources accounted for the remaining 12%.

The total cost of all programs and services was \$23,231,583. The County Office of Education's expenses are predominately related to ancillary, community services and other outgo which represent approximately 43% of expenses. Educating and caring for students represent about 30% of total expenses. Pupil services, including transportation and food, account for about 10% of expenses. Administrative activities accounted for approximately 17% of total costs.

	Governmental Activities		
	2022	2021	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 2,049,781	\$ 1,719,484	\$ 330,297
Operating grants and contributions	16,017,358	13,379,114	2,638,244
General revenues			
Property taxes	2,798,510	2,668,813	129,697
Unrestricted federal and state aid	1,755,918	2,832,314	(1,076,396)
Other	3,065,686	2,220,255	845,431
Total Revenues	25,687,253	22,819,980	2,867,273
EXPENSES			
Instruction	2,602,043	2,780,633	(178,590)
Instruction-related services	4,318,621	4,045,678	272,943
Pupil services	2,405,741	2,252,758	152,983
General administration	3,304,114	4,224,898	(920,784)
Plant services	686,685	583,076	103,609
Ancillary and community services	555,825	617,135	(61,310)
Other outgo	9,083,584	8,593,690	489,894
Depreciation	274,970	284,795	(9,825)
Total Expenses	23,231,583	23,382,663	(151,080)
Change in net position	2,455,670	(562,683)	3,018,353
Net Position - Beginning	8,624,415	9,187,098	(562,683)
Net Position - Ending	\$ 11,080,085	\$ 8,624,415	\$ 2,455,670

**LAKE COUNTY OFFICE OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED 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	\$ 96,277	\$ 399,143
Instruction-related services	1,593,568	2,588,771
Pupil services	122,038	73,968
General administration	2,467,228	3,544,573
Plant services	535,957	491,416
Ancillary and community services	476	140,884
Transfers to other agencies	73,930	760,515
Depreciation	274,970	284,795
Total	\$ 5,164,444	\$ 8,284,065

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 \$13,542,238 which is more than last year’s ending fund balance of \$11,785,982. The County Office of Education’s County School Service Fund had \$953,894 more in operating revenues than expenditures for the year ended June 30, 2022. The Special Education Pass-Through Fund had \$414,997 more in operating revenues than expenditures for the year ended June 30, 2022. The Child Development Fund had \$20 more 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 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.

**LAKE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2021-2022 the County Office of Education had invested \$7,143,188 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Land	\$ 409,396	\$ 409,396	\$ -
Land improvements	93,933	93,933	-
Buildings & improvements	9,135,919	8,795,712	340,207
Furniture & equipment	1,068,294	1,044,499	23,795
Less: Accumulated depreciation	(3,564,354)	(3,289,384)	(274,970)
Total Capital Assets	\$ 7,143,188	\$ 7,054,156	\$ 89,032

Long-Term Liabilities

At year-end, the County Office of Education had \$8,758,701 in long-term liabilities, a decrease of nearly 36% 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			
Compensated absences	140,586	147,699	(7,113)
Net pension liability	8,618,115	13,554,606	(4,936,491)
Total Long-term Liabilities	\$ 8,758,701	\$ 13,702,305	\$ (4,943,604)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the County 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.

**LAKE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED 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 participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The County'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. 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'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, please contact Lake County Office of Education at 1152 South Main Street, Lakeport, CA 95453.

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

	Governmental Activities
ASSETS	
Cash and investments	\$ 12,438,172
Accounts receivable	4,267,993
Prepaid expenses	109,684
Capital assets, not depreciated	409,396
Capital assets, net of accumulated depreciation	<u>6,733,792</u>
Total Assets	<u><u>23,959,037</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>3,430,047</u>
Total Deferred Outflows of Resources	<u><u>3,430,047</u></u>
LIABILITIES	
Accrued liabilities	2,948,119
Unearned revenue	332,038
Long-term liabilities, non-current	<u>8,758,701</u>
Total Liabilities	<u><u>12,038,858</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>4,270,141</u>
Total Deferred Inflows of Resources	<u><u>4,270,141</u></u>
NET POSITION	
Net investment in capital assets	7,143,188
Restricted:	
Educational programs	6,622,024
All others	172,693
Unrestricted	<u>(2,857,820)</u>
Total Net Position	<u><u>\$ 11,080,085</u></u>

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

**LAKE 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
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 2,602,043	\$ 79,790	\$ 2,425,976	\$ (96,277)
Instruction-related services				
Instructional supervision and administration	3,633,055	770,682	1,865,843	(996,530)
Instructional library, media, and technology	376,240	-	-	(376,240)
School site administration	309,326	-	88,528	(220,798)
Pupil services				
Food services	84,375	-	43,061	(41,314)
All other pupil services	2,321,366	795,840	1,444,802	(80,724)
General administration				
Centralized data processing	382,126	10,649	15,554	(355,923)
All other general administration	2,921,988	172,664	638,019	(2,111,305)
Plant services	686,685	13,011	137,717	(535,957)
Ancillary services	77,910	-	3,763	(74,147)
Community services	477,915	207,145	344,441	73,671
Other outgo	9,083,584	-	9,009,654	(73,930)
Depreciation (unallocated)	274,970	-	-	(274,970)
Total Governmental Activities	\$ 23,231,583	\$ 2,049,781	\$ 16,017,358	(5,164,444)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				2,740,014
Property taxes, levied for other specific purposes				58,496
Federal and state aid not restricted for specific purposes				1,755,918
Interest and investment earnings				26,921
Interagency revenues				164,086
Miscellaneous				2,874,679
Subtotal, General Revenue				7,620,114
CHANGE IN NET POSITION				2,455,670
Net Position - Beginning				8,624,415
Net Position - Ending				\$ 11,080,085

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

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

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 10,133,498	\$ 1,037,816	\$ 386,382	\$ 880,476	\$ 12,438,172
Accounts receivable	2,647,053	1,271,175	152,158	197,607	4,267,993
Due from other funds	-	544,891	178	3,269	548,338
Prepaid expenditures	39,696	-	-	69,988	109,684
Total Assets	\$ 12,820,247	\$ 2,853,882	\$ 538,718	\$ 1,151,340	\$ 17,364,187
LIABILITIES					
Accrued liabilities	\$ 952,198	\$ 1,973,532	\$ 8,478	\$ 13,911	\$ 2,948,119
Due to other funds	548,338	-	-	-	548,338
Unearned revenue	330,388	-	-	1,650	332,038
Total Liabilities	1,830,924	1,973,532	8,478	15,561	3,828,495
FUND BALANCES					
Nonspendable	41,696	-	-	69,988	111,684
Restricted	4,318,336	880,350	530,240	1,065,791	6,794,717
Assigned	1,498,797	-	-	-	1,498,797
Unassigned	5,130,494	-	-	-	5,130,494
Total Fund Balances	10,989,323	880,350	530,240	1,135,779	13,535,692
Total Liabilities and Fund Balances	\$ 12,820,247	\$ 2,853,882	\$ 538,718	\$ 1,151,340	\$ 17,364,187

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

**LAKE 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 \$ 13,535,692

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	\$ 10,707,542	
Accumulated depreciation	<u>(3,564,354)</u>	7,143,188

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:

Compensated absences	\$ 140,586	
Net pension liability	<u>8,618,115</u>	(8,758,701)

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	\$ 3,430,047	
Deferred inflows of resources related to pensions	<u>(4,270,141)</u>	(840,094)

Total Net Position - Governmental Activities \$ 11,080,085

**LAKE 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	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 4,601,049	\$ 544,891	\$ -	\$ 133,269	\$ 5,279,209
Federal sources	843,710	1,449,755	300,509	194,663	2,788,637
Other state sources	4,179,314	6,370,241	2,008,948	1,004,510	13,563,013
Other local sources	3,970,980	(15,458)	152,128	334,121	4,441,771
Total Revenues	13,595,053	8,349,429	2,461,585	1,666,563	26,072,630
EXPENDITURES					
Current					
Instruction	1,225,888	-	1,468,508	66,713	2,761,109
Instruction-related services					
Instructional supervision and administration	3,170,297	-	211,639	710,938	4,092,874
Instructional library, media, and technology	385,744	-	-	-	385,744
School site administration	309,438	-	-	45,233	354,671
Pupil services					
Food services	336	-	85,067	-	85,403
All other pupil services	2,420,675	-	26,488	-	2,447,163
General administration					
Centralized data processing	391,158	-	-	-	391,158
All other general administration	2,721,415	-	225,926	53,192	3,000,533
Plant services	446,932	-	73,206	57,551	577,689
Facilities acquisition and construction	334,968	-	-	226,592	561,560
Ancillary services	89,148	-	-	-	89,148
Community services	121,553	-	370,731	-	492,284
Transfers to other agencies	1,023,607	7,934,432	-	125,545	9,083,584
Total Expenditures	12,641,159	7,934,432	2,461,565	1,285,764	24,322,920
Excess (Deficiency) of Revenues Over Expenditures	953,894	414,997	20	380,799	1,749,710
Other Financing Sources (Uses)					
Transfers in	23,764	-	-	2,385	26,149
Transfers out	(2,385)	-	-	(23,764)	(26,149)
Net Financing Sources (Uses)	21,379	-	-	(21,379)	-
NET CHANGE IN FUND BALANCE	975,273	414,997	20	359,420	1,749,710
Fund Balance - Beginning	10,014,050	465,353	530,220	776,359	11,785,982
Fund Balance - Ending	\$ 10,989,323	\$ 880,350	\$ 530,240	\$ 1,135,779	\$ 13,535,692

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

**LAKE 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 \$ 1,749,710

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:	\$	435,021	
Depreciation expense:		<u>(274,970)</u>	160,051

Gain or loss from the disposal of capital assets:

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(71,019)

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:

7,113

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:

609,815

Change in Net Position of Governmental Activities		<u>\$</u>	<u>2,455,670</u>
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**LAKE COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Lake County Office of Education (the “County Office of Education”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the County Office of Education conform to 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. The County Office of Education has no such component units.

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. 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.

**LAKE COUNTY OFFICE OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
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. 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.

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-Local Education Agency (LEA) Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEA's.

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*).

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:

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b]* and *52501.5[a]*).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the County Office of Education's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584* and *17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the County Office of Education may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the County Office of Education (*Education Code Sections 17582* and *17583*).

**LAKE 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)

Forest Reserve Fund: This fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school districts and community college districts (*Education Code Section 2300; Government Code Section 29484*).

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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.

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 LEAs 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 LEAs 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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.

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

Cash and Cash Equivalents

The Country 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.

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.

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.

**LAKE 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)

Capital Assets (continued)

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 the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	15-50 years
Site Improvements	15-50 years
Equipment	5-25 years

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.

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.

**LAKE 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, 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.

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.

LAKE 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)

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Budgetary Data (continued)

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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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 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 implemented this Statement as of June 30, 2022.

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.

**LAKE 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. 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.

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.

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

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 12,676,335
Fair value adjustment	(243,077)
Cash on hand and in banks	2,914
Cash with fiscal agent	2,000
Total	\$ 12,438,172

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 Lake 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’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.

**LAKE 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 approximately \$12,433,258 and an amortized book value of \$12,676,335.

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.

**LAKE 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 Lake 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 activities:

	Uncategorized
Investment in county treasury	<u>\$ 12,433,258</u>
Total	<u>\$ 12,433,258</u>

**LAKE 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	Child Development Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government					
Categorical aid	\$ 468,928	\$ 787,087	\$ 61,020	\$ -	\$ 1,317,035
State Government					
Apportionment	226,597	-	-	-	226,597
Categorical aid	451,316	484,088	71,644	19,229	1,026,277
Local Government					
Other local sources	1,500,212	-	19,494	178,378	1,698,084
Total	\$ 2,647,053	\$ 1,271,175	\$ 152,158	\$ 197,607	\$ 4,267,993

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 409,396	\$ -	\$ -	\$ 409,396
Total capital assets not being depreciated	409,396	-	-	409,396
Capital assets being depreciated				
Land improvements	93,933	-	-	93,933
Buildings & improvements	8,795,712	341,151	944	9,135,919
Furniture & equipment	1,044,499	93,870	70,075	1,068,294
Total capital assets being depreciated	9,934,144	435,021	71,019	10,298,146
Less: Accumulated depreciation				
Land improvements	93,933	-	-	93,933
Buildings & improvements	2,716,471	198,057	-	2,914,528
Furniture & equipment	478,980	76,913	-	555,893
Total accumulated depreciation	3,289,384	274,970	-	3,564,354
Total capital assets being depreciated, net	6,644,760	160,051	71,019	6,733,792
Governmental Activities				
Capital Assets, net	\$ 7,054,156	\$ 160,051	\$ 71,019	\$ 7,143,188

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

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2022 were as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>			Total
	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	
County School Service Fund	\$ 544,891	\$ 178	\$ 3,269	\$ 548,338
Total	\$ 544,891	\$ 178	\$ 3,269	\$ 548,338

Due from the County School Service Fund to the Special Education Pass-Through Fund to record property taxes for SELPA.	\$ 544,891
Due from the County School Service Fund to the Adult Education Fund to correct overcharges.	3,269
Due from the County School Service Fund to the Child Development Fund to offset a deficit.	178
Total	\$ 548,338

B. Operating Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>		
	County School Service Fund	Non-Major Governmental Funds	Total
County School Service Fund	\$ -	\$ 2,385	\$ 2,385
Non-Major Governmental Funds	23,764	-	23,764
Total	\$ 23,764	\$ 2,385	\$ 26,149

Transfer from the County School Service Fund to the Adult Education Fund for expenditure reimbursements.	\$ 2,385
Transfer from the Forest Reserve Fund to the County School Service Fund for routine transfers.	23,764
Total	\$ 26,149

NOTE 6 – ACCRUED LIABILITIES

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

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Governmental Activities
Payroll	\$ 152,476	\$ -	\$ 6,992	\$ 10,692	\$ 170,160
Vendors payable	799,722	-	1,486	3,219	804,427
Due to other agencies	-	1,973,532	-	-	1,973,532
Total	\$ 952,198	\$ 1,973,532	\$ 8,478	\$ 13,911	\$ 2,948,119

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

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	\$ 56,304	\$ -	\$ 56,304
State categorical sources	274,084	-	274,084
Local sources	-	1,650	1,650
Total	\$ 330,388	\$ 1,650	\$ 332,038

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					
Compensated absences	\$ 147,699	\$ -	\$ 7,113	\$ 140,586	\$ -
Net pension liability	13,554,606	-	4,936,491	8,618,115	-
Total	\$ 13,702,305	\$ -	\$ 4,943,604	\$ 8,758,701	\$ -

- Payments for compensated absences are typically liquidated in the County School Service Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2022 amounted to \$140,586. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Net Pension Liability

The County Office of Education’s beginning net pension liability was \$13,554,606 and decreased by \$4,936,491 during the year ended June 30, 2022. The ending net pension liability at June 30, 2022 was \$8,618,115. See Note 10 for additional information regarding the net pension liability.

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

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	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000
Prepaid expenditures	39,696	-	-	69,988	109,684
Total non-spendable	41,696	-	-	69,988	111,684
Restricted					
Educational programs	4,318,336	880,350	530,240	893,098	6,622,024
All others	-	-	-	172,693	172,693
Total restricted	4,318,336	880,350	530,240	1,065,791	6,794,717
Assigned					
2% economic uncertainty	252,823	-	-	-	252,823
Leibowitz	16,500	-	-	-	16,500
Wine alliance	5,803	-	-	-	5,803
Mandated costs	247,033	-	-	-	247,033
MAA admin	189,317	-	-	-	189,317
MAA SELPA	65,376	-	-	-	65,376
Fiber - ERATE	130,781	-	-	-	130,781
Hance S&C	70,496	-	-	-	70,496
Differentiated assistance	180,787	-	-	-	180,787
ISO tech county service	206,389	-	-	-	206,389
Lottery - ROP balance	108,580	-	-	-	108,580
Lottery - CCS	11,769	-	-	-	11,769
Lottery - HANCE	13,143	-	-	-	13,143
Total assigned	1,498,797	-	-	-	1,498,797
Unassigned	5,130,494	-	-	-	5,130,494
Total Fund Balance	\$ 10,989,323	\$ 880,350	\$ 530,240	\$ 1,135,779	\$ 13,535,692

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 4 percent of County School Service Fund expenditures and other financing uses.

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

NOTE 10 – 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:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 1,682,702	\$ 1,337,755	\$ 1,592,186	\$ 113,511
PERS Pension	6,935,413	2,092,292	2,677,955	913,101
Total	<u>\$ 8,618,115</u>	<u>\$ 3,430,047</u>	<u>\$ 4,270,141</u>	<u>\$ 1,026,612</u>

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.

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

NOTE 10 – 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 \$411,557 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 \$237,800 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:

County's proportionate share of the net pension liability	\$ 1,682,702
State's proportionate share of the net pension liability associated with the County	846,688
Total	<u>\$ 2,529,390</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 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 entities, actuarially determined. At June 30, 2021, the County Office of Education’s proportion was 0.004 percent, which did not change from its proportion measured as of June 30, 2020.

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

NOTE 10 – 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 \$113,511. In addition, the County Office of Education recognized pension expense and revenue of \$(147,577) 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	\$ -	\$ 1,331,060
Differences between expected and actual experience	4,215	179,074
Changes in assumptions	238,421	-
Changes in proportion and differences between County contributions and proportionate share of contributions	683,562	82,052
County contributions subsequent to the measurement date	411,557	-
Total	<u>\$ 1,337,755</u>	<u>\$ 1,592,186</u>

The \$411,557 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	\$ 273,817	\$ 447,355
2024	273,927	372,015
2025	166,141	344,228
2026	104,029	393,776
2027	94,624	16,952
2028	13,660	17,860
Total	<u>\$ 926,198</u>	<u>\$ 1,592,186</u>

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

NOTE 10 – 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 of July 1, 2015 through 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 January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
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

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

NOTE 10 – 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:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
County's proportionate share of the net pension liability	\$ 3,425,379	\$ 1,682,702	\$ 236,313

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.

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

NOTE 10 – 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 \$1,224,870 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 \$6,935,413 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 entities, actuarially determined. At June 30, 2021, the County Office of Education’s proportion was 0.034 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the County recognized pension expense of \$913,101. 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	\$ -	\$ 2,661,605
Differences between expected and actual experience	207,040	16,350
Changes in proportion and differences between County contributions and proportionate share of contributions	660,382	-
County contributions subsequent to the measurement date	1,224,870	-
Total	<u>\$ 2,092,292</u>	<u>\$ 2,677,955</u>

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

NOTE 10 – 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 \$1,224,870 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	\$ 456,332	\$ 672,978
2024	329,969	619,302
2025	81,121	645,431
2026	-	740,244
Total	\$ 867,422	\$ 2,677,955

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:

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.

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

NOTE 10 – 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%)
County's proportionate share of the net pension liability	\$ 11,694,081	\$ 6,935,413	\$ 2,984,698

Pension Plan Fiduciary Net Position

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

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

NOTE 11 – 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.

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The County Office of Education is a member of two joint powers authorities (JPAs). The first is the Self-Insured Schools of California (SISC) to provide employee health benefits, and the other is the School Insurance Group Northern Alliance (SIGNAL) to provide worker's compensation coverage and property and liability insurance. 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.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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 County Office of Education 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 pensions was \$3,430,047 and total deferred inflows related to pensions was \$4,270,141.

REQUIRED SUPPLEMENTARY INFORMATION

**LAKE 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	\$ 4,559,594	\$ 4,567,077	\$ 4,601,049	\$ 33,972
Federal sources	911,218	1,281,111	1,049,109	(232,002)
Other state sources	4,888,596	4,782,506	4,179,314	(603,192)
Other local sources	3,912,434	4,762,121	3,963,609	(798,512)
Total Revenues	14,271,842	15,392,815	13,793,081	(1,599,734)
EXPENDITURES				
Certificated salaries	2,080,086	2,114,521	2,091,135	23,386
Classified salaries	4,614,475	4,684,998	4,326,172	358,826
Employee benefits	3,109,108	2,977,848	2,836,740	141,108
Books and supplies	1,010,279	1,426,543	779,520	647,023
Services and other operating expenditures	2,542,873	3,115,344	1,491,010	1,624,334
Capital outlay	29,920	393,600	372,093	21,507
Other outgo				
Excluding transfers of indirect costs	1,980,645	1,234,330	1,023,607	210,723
Transfers of indirect costs	(311,981)	(318,082)	(279,118)	(38,964)
Total Expenditures	15,055,405	15,629,102	12,641,159	2,987,943
Excess (Deficiency) of Revenues Over Expenditures	(783,563)	(236,287)	1,151,922	1,388,209
Other Financing Sources (Uses)				
Transfers in	26,800	23,764	23,764	-
Transfers out	-	(28,420)	(2,385)	26,035
Net Financing Sources (Uses)	26,800	(4,656)	21,379	26,035
NET CHANGE IN FUND BALANCE	(756,763)	(240,943)	1,173,301	1,414,244
Fund Balance - Beginning	9,720,838	10,014,050	10,014,050	-
Fund Balance - Ending	\$ 8,964,075	\$ 9,773,107	\$ 11,187,351	\$ 1,414,244

* 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 reason:

- The amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances reflect an adjustment to reclassify the CalHope Grants as local revenues rather than federal revenues.
- The schedule above does not reflect the fair value adjustment made in relation to GASB Statement No. 31.

**LAKE 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				
LCFF sources	\$ 524,629	\$ 533,406	\$ 544,891	\$ 11,485
Federal sources	3,070,944	3,129,954	1,449,755	(1,680,199)
Other state sources	4,337,196	6,361,976	6,370,241	8,265
Other local sources	-	-	(15,458)	(15,458)
Total Revenues	7,932,769	10,025,336	8,349,429	(1,675,907)
EXPENDITURES				
Other outgo				
Excluding transfers of indirect costs	7,748,980	9,820,875	7,934,432	1,886,443
Total Expenditures	7,748,980	9,820,875	7,934,432	1,886,443
NET CHANGE IN FUND BALANCE	183,789	204,461	414,997	210,536
Fund Balance - Beginning	596,751	465,353	465,353	-
Fund Balance - Ending	\$ 780,540	\$ 669,814	\$ 880,350	\$ 210,536

See accompanying notes to required supplementary information.

**LAKE COUNTY OFFICE OF EDUCATION
CHILD DEVELOPMENT 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	\$ 273,190	\$ 324,761	\$ 300,509	\$ (24,252)
Other state sources	1,975,137	2,034,120	2,008,948	(25,172)
Other local sources	208,457	216,365	152,128	(64,237)
Total Revenues	2,456,784	2,575,246	2,461,585	(113,661)
EXPENDITURES				
Certificated salaries	571,223	557,776	551,758	6,018
Classified salaries	798,437	787,256	774,444	12,812
Employee benefits	644,976	602,511	592,660	9,851
Books and supplies	188,923	239,197	208,024	31,173
Services and other operating expenditures	214,257	146,598	108,116	38,482
Capital outlay	30,000	68,663	637	68,026
Other outgo				
Transfers of indirect costs	246,541	243,791	225,926	17,865
Total Expenditures	2,694,357	2,645,792	2,461,565	184,227
NET CHANGE IN FUND BALANCE	(237,573)	(70,546)	20	70,566
Fund Balance - Beginning	414,226	530,220	530,220	-
Fund Balance - Ending	\$ 176,653	\$ 459,674	\$ 530,240	\$ 70,566

See accompanying notes to required supplementary information.

**LAKE 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>
County's proportion of the net pension liability	0.004%	0.004%	0.003%	0.003%	0.002%	0.003%	0.003%	0.003%
County's proportionate share of the net pension liability	\$ 1,682,702	\$ 3,452,250	\$ 2,646,261	\$ 2,620,141	\$ 2,127,590	\$ 2,126,701	\$ 2,030,832	\$ 1,961,294
State's proportionate share of the net pension liability associated with the County	846,688	1,779,620	1,443,724	1,500,161	1,258,675	1,210,871	1,074,084	1,184,314
Total	\$ 2,529,390	\$ 5,231,870	\$ 4,089,985	\$ 4,120,302	\$ 3,386,265	\$ 3,337,572	\$ 3,104,916	\$ 3,145,608
County's covered payroll	\$ 2,030,197	\$ 1,923,036	\$ 1,579,605	\$ 1,511,341	\$ 1,237,685	\$ 2,340,289	\$ 1,419,305	\$ 1,494,885
County's proportionate share of the net pension liability as a percentage of its covered payroll	82.9%	179.5%	167.5%	173.4%	171.9%	90.9%	143.1%	131.2%
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.

**LAKE 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>
County's proportion of the net pension liability	0.004%	0.004%	0.003%	0.003%	0.002%	0.003%	0.003%	0.003%
County's proportionate share of the net pension liability	\$ 1,682,702	\$ 3,452,250	\$ 2,646,261	\$ 2,620,141	\$ 2,127,590	\$ 2,126,701	\$ 2,030,832	\$ 1,961,294
State's proportionate share of the net pension liability associated with the County	846,688	1,779,620	1,443,724	1,500,161	1,258,675	1,210,871	1,074,084	1,184,314
Total	<u>\$ 2,529,390</u>	<u>\$ 5,231,870</u>	<u>\$ 4,089,985</u>	<u>\$ 4,120,302</u>	<u>\$ 3,386,265</u>	<u>\$ 3,337,572</u>	<u>\$ 3,104,916</u>	<u>\$ 3,145,608</u>
County's covered payroll	\$ 2,030,197	\$ 1,923,036	\$ 1,579,605	\$ 1,511,341	\$ 1,237,685	\$ 2,340,289	\$ 1,419,305	\$ 1,494,885
County's proportionate share of the net pension liability as a percentage of its covered payroll	82.9%	179.5%	167.5%	173.4%	171.9%	90.9%	143.1%	131.2%
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.

**LAKE 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	\$ 411,557	\$ 327,877	\$ 328,833	\$ 257,160	\$ 218,112	\$ 155,700	\$ 145,423	\$ 126,647
Contributions in relation to the contractually required contribution*	(411,557)	(327,877)	(328,833)	(257,160)	(218,112)	(155,700)	(145,423)	(126,647)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 2,432,351	\$ 2,030,197	\$ 1,923,036	\$ 1,579,605	\$ 1,511,341	\$ 1,237,685	\$ 2,340,289	\$ 1,419,305
Contributions as a percentage of covered payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	6.21%	8.92%

*Amounts do not include on-behalf contributions

**LAKE 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	\$ 1,224,870	\$ 1,012,339	\$ 935,479	\$ 742,250	\$ 614,386	\$ 576,650	\$ 459,773	\$ 411,866
Contributions in relation to the contractually required contribution*	(1,224,870)	(1,012,339)	(935,479)	(742,250)	(614,386)	(576,650)	(459,773)	(411,866)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 5,346,546	\$ 4,889,913	\$ 4,743,688	\$ 4,109,475	\$ 3,926,471	\$ 4,152,172	\$ 3,880,907	\$ 3,499,098
Contributions as a percentage of covered payroll	22.91%	20.70%	19.72%	18.06%	15.65%	13.89%	11.85%	11.77%

*Amounts do not include on-behalf contributions

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

NOTE 1 – PURPOSE OF SCHEDULE

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 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.

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 incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
County School Service Fund			
Other outgo			
Transfers of indirect costs	\$ (318,082)	\$ (279,118)	\$ 38,964

SUPPLEMENTARY INFORMATION

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

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
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	\$ 34,947	\$ -
School Improvement (CSI) funding for COEs	84.010	15439	119,245	-
Subtotal Title I, Part A			<u>154,192</u>	<u>-</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	1,879	-
Title III, Technical Assistance	84.365	14967	15,659	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	19,909	-
Title VI, Part B, Rural & Low Income School Program	84.358	14356	923	-
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,446,080	1,446,080
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	16,038	-
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	3,675	3,675
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13431	35,752	-
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	884	-
Subtotal Special Education Cluster			<u>1,502,429</u>	<u>1,449,755</u>
IDEA Early Intervention Grants, Part C	84.181	23761	56,932	-
Education for Homeless Children and Youth, Subtitle VII-B McKinney-Vento Act	84.196	14332	76,181	-
Comprehensive Literacy State Development Grant	84.UNK	*	102,569	-
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:				
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	8,386	-
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	17,568	-
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	45,855	-
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	9,078	-
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	8,674	-
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	32,205	-
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	7,173	-
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	21,076	-
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	30,175	-
American Rescue Plan-Homeless Children and Youth (ARP-HCY) Program	84.425	15564	22,820	-
Subtotal Education Stabilization Fund Discretionary Grants			<u>203,010</u>	<u>-</u>
Total U. S. Department of Education			<u>2,133,683</u>	<u>1,449,755</u>
U. S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through California Department of Education:</i>				
Forest Reserve Funds	10.665	10044	194,663	194,663
<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	45,457	-
CACFP COVID-19 Emergency Operational Costs Reimbursement	10.558	15577	10,994	-
Subtotal Child and Adult Care Food Program			<u>56,451</u>	<u>-</u>
Total U. S. Department of Agriculture			<u>251,114</u>	<u>194,663</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Passed through California Department of Education:</i>				
Child Care and Development Block Grant				
Child Care and Development Programs Administered by CA Department of Social Services	93.575	10163	37,000	-
Child Development: Quality Improvement Activities	93.575	14130	63,460	-
Federal Local Planning Councils (Contract Prefix CLPC)	93.575	13946	51,798	-
ARP California State Preschool Program One-time Stipend	93.575	15640	91,800	-
Subtotal Child Care and Development Block Grant			<u>244,058</u>	<u>-</u>
Total U. S. Department of Health & Human Services			<u>244,058</u>	<u>-</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:				
<i>Passed through California Department of Education:</i>				
AmeriCorps	94.006	*	159,782	-
Total Federal Expenditures			<u>\$ 2,788,637</u>	<u>\$ 1,644,418</u>

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

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

	Second Period Report	Annual Report
DISTRICT FUNDED COUNTY PROGRAMS		
TK/K through Third		
Special Education - Special Day Class	2.78	2.73
Total TK/K through Third	2.78	2.73
Fourth through Sixth		
Special Education - Special Day Class	4.04	4.39
Total Fourth through Sixth	4.04	4.39
Seventh through Eighth		
County Community Schools	0.72	0.73
Special Education - Special Day Class	4.10	4.07
Total Seventh through Eighth	4.82	4.80
Ninth through Twelfth		
County Community Schools	1.67	1.47
Special Education - Special Day Class	7.02	6.80
Total Ninth through Twelfth	8.69	8.27
Total District Funded County Programs	20.33	20.19

	Second Period Report	Annual Report
ALTERNATIVE EDUCATION GRANT PROGRAMS		
COUNTY FUNDED NON-JUVENILE COURT SCHOOLS		
ELEMENTARY		
Probation Referred, On Probation or Parole, or Expelled	0.98	1.37
Total Elementary	0.98	1.37
SECONDARY		
Probation Referred, On Probation or Parole, or Expelled	4.87	5.55
Total Secondary	4.87	5.55
Total County Funded Non-Juvenile Court Schools	5.85	6.92

**LAKE 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 - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 17,669,742	\$ 13,816,845	\$ 13,545,620	\$ 12,160,958
Expenditures And Other Financing Uses	18,325,206	12,643,544	12,794,352	11,442,070
Net change in Fund Balance	\$ (655,464)	\$ 1,173,301	\$ 751,268	\$ 718,888
Ending Fund Balance	\$ 10,531,887	\$ 11,187,351	\$ 10,259,678	\$ 9,508,410
Available Reserves*	\$ 5,337,752	\$ 5,130,494	\$ 5,348,523	\$ 4,892,858
Available Reserves As A Percentage Of Outgo	29.13%	40.58%	41.80%	42.76%
Long-term Liabilities	\$ 8,758,701	\$ 8,758,701	\$ 13,702,305	\$ 11,453,799
Average Daily Attendance At P-2***	30	26	31	31

The County School Service Fund balance has increased by \$1,678,941 over the past two years. The fiscal year 2022-23 budget projects a decrease of \$655,464. For a County Office of Education this size, the State recommends available reserves of at least 4% of County School Service Fund expenditures, transfers out, and other uses (total outgo).

The County Office of Education has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2022-23 fiscal year. Total long-term obligations have decreased by \$2,695,098 over the past two years.

Average daily attendance has decreased by 5 ADA over the past two years. A slight increase of 4 ADA is anticipated during the 2022-23 fiscal year.

*Available reserves consist of the unassigned fund balance and the additional reserve for economic uncertainties within the County School Service Fund.

**The schedule above does not reflect audit adjustments and the fair value adjustment made in relation to GASB Statement No. 31.

***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.

**LAKE 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	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Forest Reserve Fund
June 30, 2022, annual financial and budget report fund balance	\$ 11,187,351	\$ 900,640	\$ 712,128	\$ 537,786	\$ 246,118	\$ 194,746
Adjustments and reclassifications:						
Increase (decrease) in total fund balances:						
Fair market value adjustment - cash in county treasury	(198,028)	(20,290)	(10,042)	(7,546)	(3,437)	(3,734)
Net adjustments and reclassifications	(198,028)	(20,290)	(10,042)	(7,546)	(3,437)	(3,734)
June 30, 2022, audited financial statement fund balance	<u>\$ 10,989,323</u>	<u>\$ 880,350</u>	<u>\$ 702,086</u>	<u>\$ 530,240</u>	<u>\$ 242,681</u>	<u>\$ 191,012</u>

See accompanying note to supplementary information.

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

	Adult Education Fund	Deferred Maintenance Fund	Forest Reserve Fund	Non-Major Governmental Funds
ASSETS				
Cash and investments	\$ 513,638	\$ 175,826	\$ 191,012	\$ 880,476
Accounts receivable	197,607	-	-	197,607
Due from other funds	3,269	-	-	3,269
Prepaid expenditures	-	69,988	-	69,988
Total Assets	\$ 714,514	\$ 245,814	\$ 191,012	\$ 1,151,340
LIABILITIES				
Accrued liabilities	\$ 10,778	\$ 3,133	-	\$ 13,911
Unearned revenue	1,650	-	-	1,650
Total Liabilities	12,428	3,133	-	15,561
FUND BALANCES				
Non-spendable	-	69,988	-	69,988
Restricted	702,086	172,693	191,012	1,065,791
Total Fund Balances	702,086	242,681	191,012	1,135,779
Total Liabilities and Fund Balances	\$ 714,514	\$ 245,814	\$ 191,012	\$ 1,151,340

See accompanying note to supplementary information.

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

	Adult Education Fund	Deferred Maintenance Fund	Forest Reserve Fund	Non-Major Governmental Funds
REVENUES				
LCFF sources	\$ 3,269	\$ 130,000	\$ -	\$ 133,269
Federal sources	-	-	194,663	194,663
Other state sources	1,004,510	-	-	1,004,510
Other local sources	340,657	(2,885)	(3,651)	334,121
Total Revenues	1,348,436	127,115	191,012	1,666,563
EXPENDITURES				
Current				
Instruction	66,713	-	-	66,713
Instruction-related services				
Instructional supervision and administration	710,938	-	-	710,938
School site administration	45,233	-	-	45,233
Pupil services				
General administration				
All other general administration	53,192	-	-	53,192
Plant services	18,287	39,264	-	57,551
Facilities acquisition and construction	-	226,592	-	226,592
Transfers to other agencies	-	-	125,545	125,545
Total Expenditures	894,363	265,856	125,545	1,285,764
Excess (Deficiency) of Revenues Over Expenditures	454,073	(138,741)	65,467	380,799
Other Financing Sources (Uses)				
Transfers in	2,385	-	-	2,385
Transfers out	-	-	(23,764)	(23,764)
Net Financing Sources (Uses)	2,385	-	(23,764)	(21,379)
NET CHANGE IN FUND BALANCE	456,458	(138,741)	41,703	359,420
Fund Balance - Beginning	245,628	381,422	149,309	776,359
Fund Balance - Ending	\$ 702,086	\$ 242,681	\$ 191,012	\$ 1,135,779

See accompanying note to supplementary information.

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

The Lake County Office of Education (County Office of Education) was established on May 1, 1880. The County Office of Education coordinates the educational programs among schools within Lake County. The County Office of Education also provides professional and financial assistance to schools and has general responsibility to support and control all schools in the County. The boundaries of the County Office of Education have not changed in the current year.

The activities of the Lake County Office of Education are governed by five trustees comprising the Lake County Board of Education. Each trustee is elected by residents of an area approximating the County supervisor’s area.

GOVERNING BOARD

Member	Office	Term Expires
Dr. Mark Cooper	President	2024
Denise Loustalot	Vice President	2022
Anna Ravenwoode	Member	2022
Dr. David Browning	Member	2022
Melissa Kinsel	Member	2024

COUNTY OFFICE OF EDUCATION ADMINISTRATORS

Brock Falkenberg
Superintendent

Denise Shannon
Assistant Superintendent – Fiscal Services

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

The County Office of Education pass through certain Federal assistance received to other governments (subrecipients). The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Uniform Guidance, 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 provision of contracts or grant agreements, and that performance goals are achieved.

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 school districts. 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.

Combining Statements – Non-Major Funds

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

Local Education Agency (LEA) 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
Lake County Office of Education
Lakeport, 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 Lake 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 Lake County Office of Education's basic financial statements, and have issued our report thereon dated December 13, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake 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 Lake County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County Office of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
December 13, 2022

**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
Lake County Office of Education
Lakeport, California

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

We have audited Lake 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 Lake County Office of Education's major federal programs for the year ended June 30, 2022. Lake 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, Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
December 13, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Lake County Office of Education
Lakeport, California

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

We have audited Lake 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 Lake County Office of Education's state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake 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 Lake County Office of Education's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Lake 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	No
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	Not Applicable
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	Not Applicable
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 did not perform testing for independent study because total reported average daily attendance did not exceed the threshold required for testing.

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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California
December 13, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LAKE 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>No</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>84.425U, 84.425C, 84.425</u>	<u>Education Stabilization Fund</u>
<u>84.027, 84.027A, 84.173A, 84.173</u>	<u>Special Education Cluster</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>

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

Five Digit Code

20000

30000

60000

AB 3627 Finding Type

Inventory of Equipment

Internal Control

Miscellaneous

There were no financial statement findings for the year ended June 30, 2022.

**LAKE 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.

**LAKE 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.

**LAKE 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.