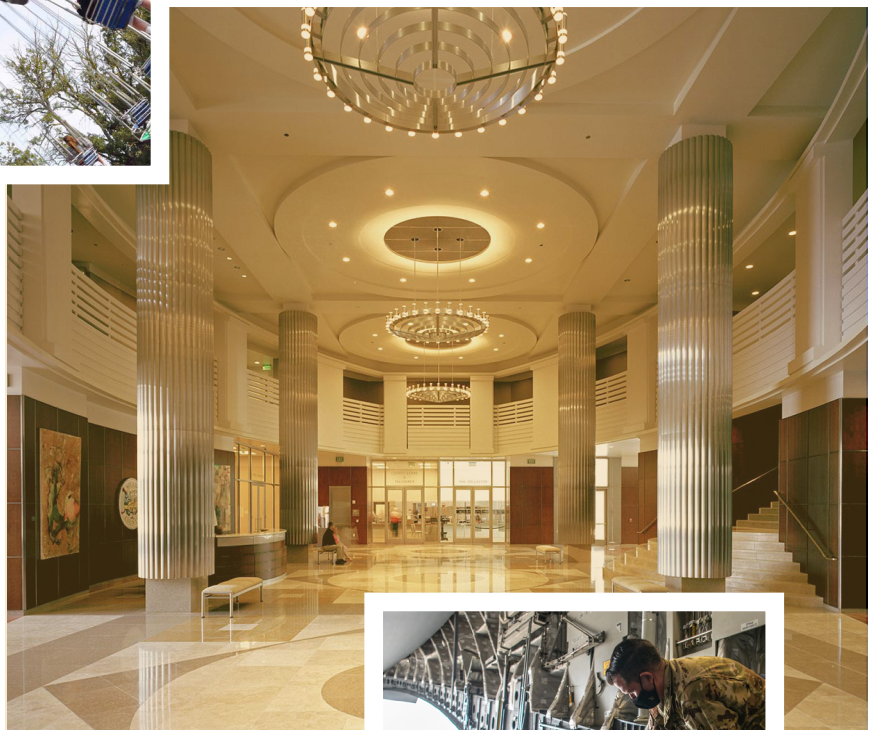


Solano County

Popular Annual Financial Report

Fiscal Year Ended June 30, 2022



Office of the Auditor-Controller
Solano County, California
(707) 784-6280 | @CountyOfSolano
SolanoCounty.com/Depts/Auditor



Message from the Solano County Auditor-Controller

Phyllis S. Taynton, CPA



TO THE CITIZENS OF SOLANO COUNTY:

It is my pleasure to present to you Solano County's Popular Annual Financial Report (PAFR). The PAFR, also referred to as the "Citizen's Report", is intended to provide our citizens with an easy-to-read explanation of the County's finances. The PAFR provides an overview of the County's financial condition for the fiscal year ended June 30, 2022 (FY21/22), and a brief analysis of where the County's revenues are derived and where those dollars are spent.

I am happy to announce that our second PAFR issued last year for the FY20/21 was awarded the Government Financial Officer's Associations' Award for Outstanding Achievement in Popular Annual Financial Reporting. This prestigious national award recognizes conformance to the highest standards for the preparation of state and local government popular reports. We believe this PAFR continues to achieve the high standards of popular reporting.

The Auditor-Controllers' Office is dedicated to promoting transparency and fiscal accountability within local government. This Citizen's Report serves an important function in that mission by providing our taxpayers and stakeholders with access to County financial information.

A special thank you goes out to Jennifer Laron, Senior Accountant-Auditor and Matthew Davis, Senior Management Analyst, for their assistance in preparing this PAFR. I must also thank my entire department and the dedicated County fiscal staff whose ongoing work throughout the year and assistance to the Auditor-Controller's Office helped us achieve another Certificate of Excellence in Financial Reporting for the County's Annual Comprehensive Financial Report.

I hope you enjoy reading the County's PAFR. If you have comments, questions, or suggestions please reach out to my office at AuditorController@solanocounty.com or (707) 784-6280.

A handwritten signature in black ink that reads "Phyllis S. Taynton".

Phyllis S. Taynton, CPA

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Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**County of Solano
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

The Purpose

What is a Popular Annual Financial Report?

THROUGHOUT the year the County produces several documents which provide insight into the County's finances and operations. The County produces an Annual Budget document that provides a road map of how the County plans to fund operations, various programs, and services for an upcoming fiscal year. The County's Annual Comprehensive Financial Report (ACFR) provides the actual results of County operations for the fiscal year in lengthy and complex detail; and the County produces an Annual Report to its citizens of the services delivered to its citizens on a calendar year basis.

This PAFR focuses on the financial results of the County in an easy-to-read format. It reports on the actual revenues and expenses for the fiscal year. The source of the data is the ACFR for the fiscal year ended June 30, 2022.

The County's ACFR and the financial statement data in this Citizen's Report are prepared in conformance with Generally Accepted Accounting Principles (GAAP), applicable to governmental entities. The financial data in this Citizen's Report includes the governmental activities of the County but does not include the business-type activities or component units. Some statistics are taken from various sources and are not GAAP-based data. The ACFR is prepared by the Auditor-Controller's Office and audited by an independent accounting firm, Eide Bailly, LLP, receiving an unmodified (clean) opinion.

The Citizen's Report is intended to complement the ACFR, not to be a substitute for it. If you would like to read our ACFR, please visit solanocounty.com/depts/auditor or scan the QR code.



FINANCIAL HIGHLIGHTS

During FY2021/22, the County resumed normal operations amidst the backdrop of the second year of the COVID19 Pandemic.

The County received \$86.8 million under the **American Rescue Plan Act (ARPA) of 2021**. The Board held numerous meetings to allocate these funds to a wide variety of projects. Since most of the funds have not been spent, they are identified as "unearned revenues" in the financial statements.

The County implemented a new accounting standard on **LEASES** which resulted in a new "Right to Use" Asset of \$10.2 million, net of amortization, and the related Lease Liability of \$10.4 million.

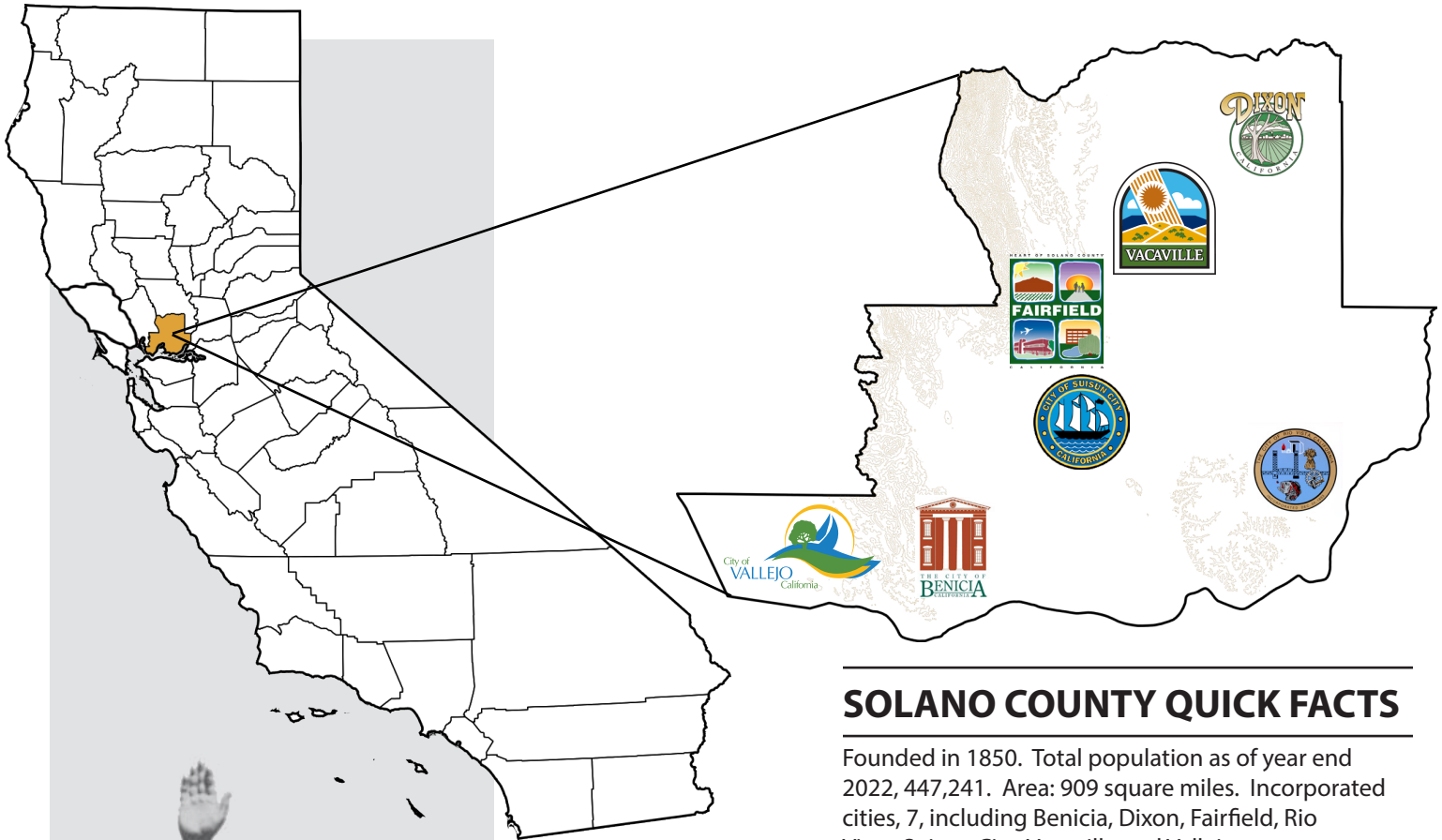
In October 2021, the County issued **\$30 million in Certificates of Participation (COPs)** to fund energy conservation and generation projects for the County campuses in Fairfield, Vacaville, and Vallejo.

The County's **credit rating** was **upgraded** by Standard and Poors (S&P) from AA to AA+. Also, S&P raised its long-term rating on the County's outstanding pension obligation bonds from AA+ to AAA, **the highest possible rating**.

The County's **Net Position** for governmental activities at June 30, 2022, was \$605.8 million; an **increase** of \$144.6 million, or 31.4%, over the prior year.



SOLANO COUNTY PROFILE



SOLANO COUNTY QUICK FACTS

Founded in 1850. Total population as of year end 2022, 447,241. Area: 909 square miles. Incorporated cities, 7, including Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville and Vallejo.

SOLANO COUNTY was incorporated in 1850 as one of the original 27 counties of California. The County derives its name indirectly from the Franciscan missionary, Father Francisco Solano, whose name Solano was given in baptism to Sam Yeto, chief of one of the Indian tribes of the region. General Mariano Guadalupe Vallejo requested the County be named for Chief Solano, who ruled over most of the land and tribes between Petaluma Creek and the Sacramento River.

Originally twelve townships were created in the County, but ultimately, seven cities were incorporated: **Benicia** (1850 and 1851), **Vallejo** (1868), **Suisun City** (1868), **Dixon** (1878), **Vacaville** (1892), **Rio Vista** (1893), and **Fairfield** (1903). Most of the citizens reside in the seven cities with only 4.2% residing in the unincorporated areas of the County.

GEOGRAPHY

Solano County is spread over a total of 909 square miles, including 675 miles of rural and farm lands, 150 square miles of urban land, and 84 square miles of delta and waterfront. Located 45 miles northeast of **San Francisco** and 45 miles southwest of **Sacramento**, the County borders Napa, Yolo, Sacramento, and Contra Costa counties.



Chief Solano

Credit: Vacaville Heritage Council

GOVERNMENT PROFILE

THE COUNTY operates under a general law form of government, which means that the County’s policymaking and legislative authority is vested in the County Board of Supervisors (Board). The five-member Board is elected by district to a four-year term.

Some of the Board’s responsibilities include adopting the annual operating budget, adopting local ordinances, setting policies, setting the tax rates and County fee schedules, and assisting citizens in solving problems.

The Board appoints the County Administrator and County Counsel. The County Administrator assists the Board in managing, directing, and coordinating the operations of all County departments.

The County employed 3,133 full-time equivalent employees during FY2021/22 in order to provide a full range of services to its residents.



ERIN HANNIGAN
District 1 Supervisor



MONICA BROWN
District 2 Supervisor



JIM SPERING
District 3 Supervisor



JOHN M. VASQUEZ
District 4 Supervisor



MITCH MASHBURN
District 5 Supervisor

The County provides services to its citizens through the following departments, organized by function:



General Government and Support Services

- Assessor-Recorder*
- Auditor-Controller*
- Board of Supervisors*
- County Administrator
- County Counsel
- General Services
- Human Resources
- Information Technology
- Treasurer-Tax Collector-County Clerk*



Public Protection

- Child Support Services
- District Attorney*
- Probation
- Public Defender
- Alternate Public Defender
- Sheriff-Coroner*

** represents elected officials*



Health and Public Assistance

- Health and Social Services
- Veterans Services



Land Use, Agriculture and Transportation

- Agriculture, Weights/Measures
- Resource Management



Education

- Library
- UC Cooperative Extension



SOLANO COUNTY STATISTICS

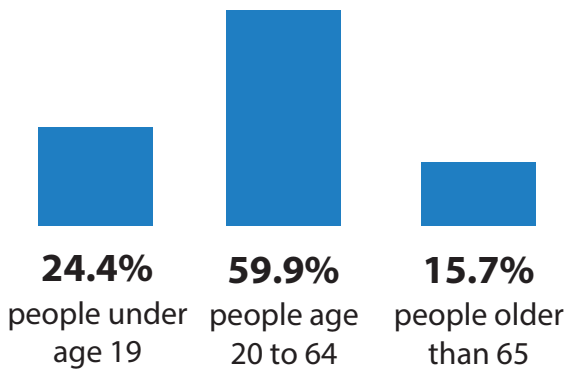
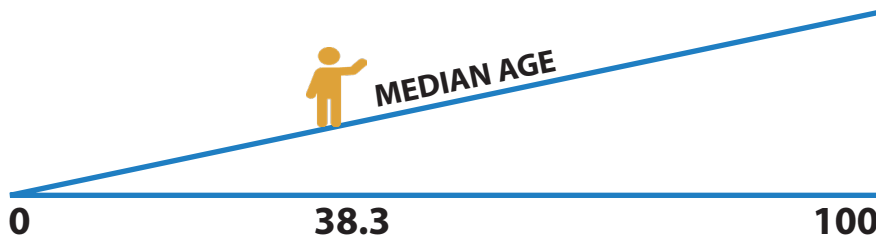
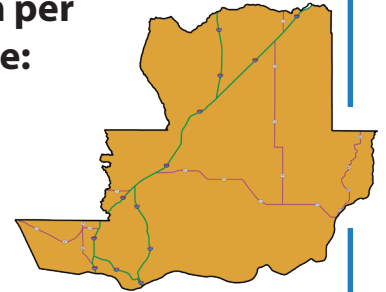
AT A GLANCE

SOLANO County's strategic location, affordable housing, natural and human resources makes it an ideal place to *live, learn, work and play.*

447,241 TOTAL POPULATION

Population per Square Mile:

529



Median Household Income

\$84,638



88.9% High School Graduate
37.6% Bachelor's Degree or higher



Median Property Value

\$604K

TOP 6 industries

- 26% Healthcare and Social Assistance
- 23% All Government, including US Military
- 17% Retail Trade
- 13% Leisure, hospitality and other
- 11% Construction
- 10% Manufacturing

POPULAR CROPS



Tomatoes



Wheat



Grapes



Alfalfa - Hay



Walnuts

Top 5 Employers

- Travis Air Force Base
- County of Solano
- Fairfield-Suisun Unified School District
- North Bay Health-care System
- Kaiser Foundation Hospitals



STATEMENT OF NET POSITION

THE STATEMENT of Net Position presents the County's financial position from a long-term perspective. It presents all of the County's assets (what the County owns), and deferred outflows of resources, liabilities (what the County owes), and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The information below presents **only** the County's Governmental Activities – which are those functions that are primarily supported by taxes and intergovernmental revenues, as compared to the County's only business-type activity, the Nut Tree Airport, which operates similar to a business and recovers its cost through user charges and fees.

COMPONENTS OF THE COUNTY'S NET POSITION

Net Investment in capital assets – capital assets less accumulated depreciation less the debt associated with those assets.

Restricted Funds – funds subject to external regulations and other restrictions.

Unrestricted Funds – funds that can be used for any purpose.

At June 30	2022	2021	2020	2019	2018
Current and other assets	\$ 877,284,259	\$ 735,145,625	\$ 573,275,602	\$ 549,443,905	\$ 502,738,141
Capital assets	573,047,505	552,597,524	555,026,101	556,102,859	558,706,180
Total assets	\$1,450,331,764	\$1,287,743,149	\$1,128,301,703	\$1,105,546,764	1,061,444,321
Deferred loss on refunding	1,368,605	1,520,672	1,672,739	1,824,806	2,433,433
Deferred outflows related to pension	87,364,684	103,567,359	95,660,970	113,643,047	149,511,864
Deferred outflows related to OPEB	9,913,003	6,550,960	5,927,650	5,705,850	5,538,350
Total deferred outflows of resources	98,646,292	111,638,991	103,261,359	121,173,703	157,483,647
Other liabilities	221,519,010	180,402,463	95,586,887	82,540,191	722,082,785
Long-term lease liabilities*	10,350,746	-	-	-	-
Long-term obligations	508,247,841	750,875,510	719,364,265	696,992,545	75,857,890
Total liabilities	740,117,597	931,277,973	814,951,152	779,532,736	797,940,675
Deferred inflows related to leases*	6,431,691	-	-	-	[^] 15,521
Deferred inflows related to pension	183,655,530	4,160,789	16,606,569	18,778,310	18,765,037
Deferred inflows related to OPEB	12,949,240	2,701,965	4,005,607	1,001,947	1,084,784
Total deferred inflows of resources	203,036,461	6,862,754	20,612,176	19,780,257	19,865,342
Net investment in capital assets	494,457,001	484,977,193	481,312,570	477,673,000	473,434,362
Restricted net position	393,017,540	298,371,161	250,489,348	254,067,156	243,952,893
Unrestricted net position	(281,650,543)	(322,106,941)	(335,802,184)	(304,332,682)	(316,265,304)
Total net position	605,823,998	\$461,241,413	\$395,999,734	\$427,407,474	\$401,121,951

[^] Deferred Gain on Refunding

* Accounting change implemented in 2022

Analysis of Change in Net Position:

The County's Net Position of Governmental Activities **increased \$144.6 million**. The most significant changes in the County's net position are due to an increase of \$94.6 million in Restricted Net Position and a decrease in the deficit unrestricted net position of \$40.5 million. The County's restricted net position increased due to increases in restricted program funding for health services, public safety, library services, capital projects, and public facilities. These funds must be spent for the restricted purposes. The deficit unrestricted net position improved due to net increases in general revenues and program-specific funding and less expenses. The County's net investment in capital assets increased \$9.5 million, or 2%, due to projects such as public safety facilities improvements, and the mental health and adult board and care facilities.



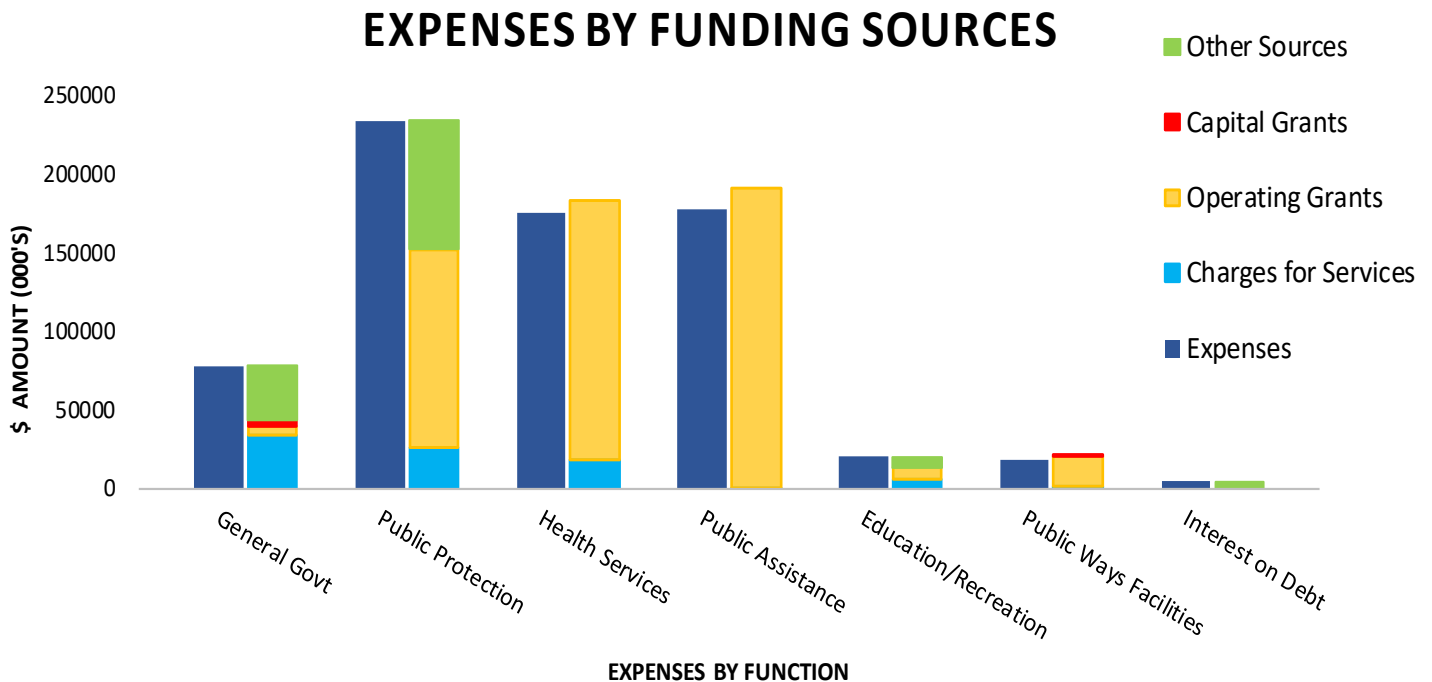
STATEMENT OF ACTIVITIES

WHAT DOES THE STATEMENT OF ACTIVITIES TELL ME? The Statement of Activities reports the County’s revenues and expenses during the fiscal year, which increases or decreases the County’s net position. Revenues are classified by source and expenses are classified by function. The Statement of Activities below presents only the Governmental Activities of the County.

	FY 2021/22	FY 2020/21	FY 2019/20	FY 2018/19	FY2017/18
REVENUES					
Program revenues	\$606,534,451	\$580,034,479	\$480,495,644	\$490,750,106	\$490,235,116
General revenues*	249,518,485	238,947,328	221,883,493	219,101,490	205,464,743
Total Revenues	\$856,052,936	\$818,981,807	\$702,379,137	\$709,851,596	\$695,699,859
EXPENSES					
General government	\$78,538,636	\$84,019,126	\$77,400,983	\$79,056,546	\$73,469,037
Public protection	234,404,054	251,384,379	256,573,399	230,141,732	230,654,519
Public ways and facilities	19,052,576	23,540,793	17,395,553	21,057,877	17,220,809
Health services	176,286,044	186,606,805	188,075,259	173,753,194	172,280,422
Public assistance	177,610,975	183,131,786	168,263,482	154,082,791	152,732,632
Education and recreation	20,517,502	21,394,961	21,746,756	20,198,264	19,273,900
Interest on long-term debt	5,060,564	3,901,678	4,331,445	5,275,669	3,347,473
Total Expenses	\$ 711,470,351	\$753,979,528	\$733,786,877	\$683,566,073	\$668,978,792
Change in Net Position	\$144,582,585	\$65,002,279	(\$31,407,740)	\$26,285,523	\$26,721,067

* Includes Transfers

Funding for County Services - FY2021/22



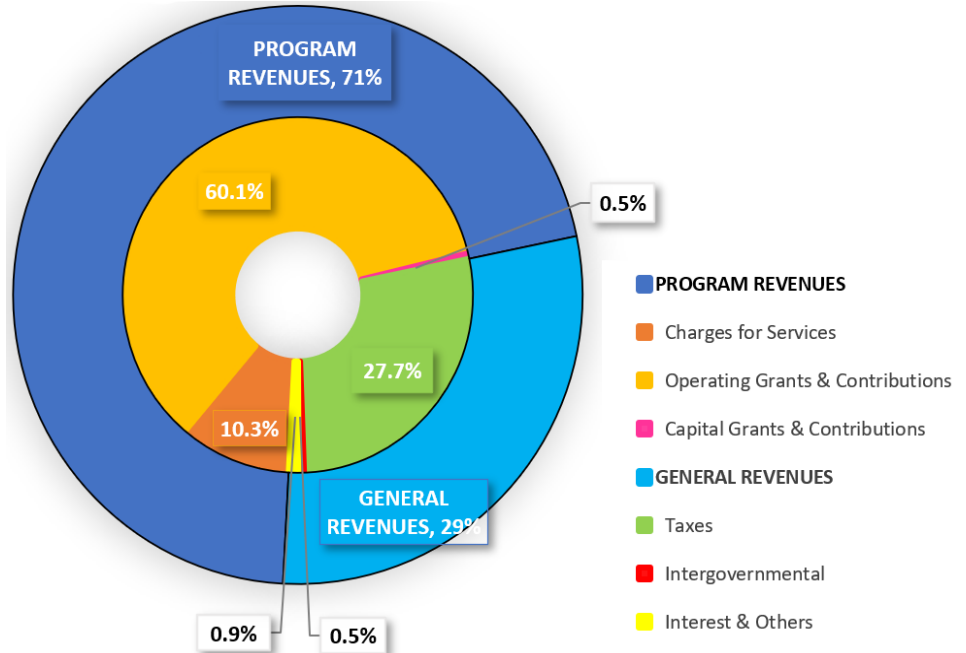
WHERE THE MONEY COMES FROM

OVERALL REVENUES

- Program Revenues = 71%
- General Revenues = 29%

PROGRAM REVENUES: Revenues derived directly from the program itself or from parties outside the County's taxpayers or citizenry; includes Operating Grants and Contributions, Charges for Services, and Capital Grants.

GENERAL REVENUES: Revenues not dedicated to a specific program, such as property taxes and related revenues, sales taxes, and unrestricted interest earnings.



Governmental Activities: Changes in Revenues

PROGRAM REVENUES increased by a net \$26.5 million over the prior year due to increases in State Proposition 172 and 2011 Realignment funding; Federal and State grants for public assistance and direct services for health programs.

Significant changes are due to:

- \$17.2 million** - net increase for health services (Federal, State, Realignment)
- \$32.4 million** - net increase for public assistance due to caseload increases
- \$22.1 million** - increase for public protection (Prop 172 and Realignment funding)
- \$44.9 million - decrease** in one-time-Coronavirus Relief Funds

GENERAL REVENUES increased by a net \$10.6 million primarily due to an increase in property tax revenues as property values increased.

WHERE THE MONEY COMES FROM	FY2021/22
Program revenues	70.9%
Charges for Services	10.3%
Operating grants & contributions	60.1%
Capital grants & contributions	0.5%
General revenues*	29.1%
Taxes	27.7%
Intergovernmental Revenues	0.5%
Interest & Others	0.9%

* Includes Transfers

<p>TOTAL PROGRAM REVENUES</p> <p>\$606.5 million</p> <p>↑</p> <p>\$26.5 million</p>	<p>TOTAL GENERAL REVENUES</p> <p>\$249.5 million</p> <p>↑</p> <p>\$10.6 million</p>	<p>TOTAL REVENUE GOVT. ACTIVITIES</p> <p>\$856.0 million</p> <p>↑</p> <p>\$37.1 million</p>
---------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------



WHERE THE MONEY GOES

THE EXPENSES of the County are classified by functional areas, based on the programs and services delivered to the County's citizenry. The functional areas include **General Government, Public Protection, Public Ways and Facilities, Health Services, Public Assistance, Education and Recreation, and Debt Interest.** Some examples of program expenses within these functional areas include the costs of operating the County Jail, Juvenile Hall, maintenance of County parks and roads, health clinic operations, library operations, and supportive services to County departments. Program expenses include payroll and benefit costs of program staff, materials and supplies, computers, and small office equipment.



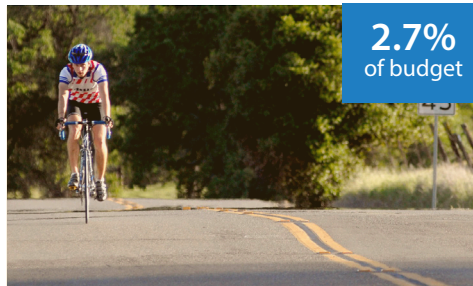
32.9%
of budget

Public Protection
\$234,404,054 | 6.8% decrease



25.0%
of budget

Public Assistance
\$177,610,975 | 3.0% decrease



2.7%
of budget

Public Ways and Facilities
\$19,052,576 | 19.1% decrease



2.9%
of budget

Education and Recreation
\$20,517,502 | 4.1% decrease



11.0%
of budget

General Government
\$78,538,636 | 6.5% decrease



24.8%
of budget

Health Services
\$176,286,044 | 5.5% decrease



0.7%
of budget

Interest on Long-Term Debt
\$5,060,564 | 29.7% increase

\$711.5 million

Governmental Activities: Changes in Expenses

THE NET DECREASE of \$42.5 million is primarily the result of \$68.0 million decrease in pension expense based on the GASB68 accounting valuation and \$6.7 million in OPEB and compensated absences expenses. These decreases were offset by net increases in salaries and benefits costs, housing support and contracted direct services for clients, and professional and program support costs.

CHANGES IN EXPENSES

\$42.5
million



SOME COSTS are not considered expenses, but still require a significant outlay of County funds: the County spent over \$36.8 million to purchase or improve capital assets, including \$3.8 million in the new category of leased assets. The County reduced its debt by \$10.3 million by making principal payments on long-term debt and capital leases during the fiscal year.

WHERE THE PROPERTY TAX DOLLAR GOES

SOLANO COUNTY'S total net assessment roll as of January 1, 2022, was valued at \$66.8 billion and increased by 7.2% over the prior year, a \$4.5 billion increase. The County's net assessment roll consists of all assessable property valued by the County Assessor, less those properties that are exempt from taxation. The net roll is separated into the "secured assessment roll" – generally land and improvements (such as structures) and the "unsecured assessment roll" – primarily business /personal property (such as machinery and equipment). The "secured assessment roll" generates most of the property tax revenues.

In FY2021/22, the County's assessment rolls generated over \$702.6 million in property taxes which were distributed to county government, cities, school districts (which includes ERAF*), redevelopment trust funds, and special districts in Solano County.

Although Solano County only receives 26 cents per dollar, the County relies on property taxes as the main source of revenue to pay for countywide services. These 26 cents or 26% of the tax dollar accounts for \$169.0 million in property taxes to the County.

The County receives 26 cents per property tax dollar



32%
Schools

19%
ERAF*

26%
County

15%
Cities

6% **2%**
Special District

Property Tax Explained

Property Tax is a major source of revenue for local government in California and is determined by assessed values.

The property tax rate throughout the State of California is 1% of the assessed value.

Voter-approved debt is in addition to the 1% rate.



Redevelopment



*ERAF, Educational Revenue Augmentation Fund – property taxes shifted from local agencies to schools to offset cuts in State revenues to the schools



SOLANO COUNTY HIGHLIGHTS



Benicia Community Center



Vacaville Carousel



Solano County Fair



Travis Air Force Base



Solano Vineyards



Reliable Solano Water Project

CONNECT WITH US

FRAUD, WASTE AND ABUSE – Whistleblower Program

As part of our role in the stewardship and oversight of public funds, the Auditor-Controller’s Internal Audit Division operates a Whistleblower Program. The program provides employees and citizens with an easy and anonymous way to participate in helping the County protect its financial resources, as well as identify potential fraud, waste and abuse. An incident can be reported 24-hours a day, 365 days a year, by phone at **1-866-384-TIPS** or by visiting our website: <https://www.solanocounty.com/depts/auditor/whistleblower/default.asp>.



Find us on the web at
SolanoCounty.com



Call the Auditor-Controller’s
Office at (707) 784-6280



Email the Auditor-Controller at
AuditorController@SolanoCounty.com



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GLOSSARY

Assets – what the County owns.

Deferred Inflows of Resources – An inflow (source) of resources into the government that is applicable to a future reporting period.

Deferred Outflows of Resources – An outflow (use) of resources consumed by the government that is applicable to a future reporting period.

Liabilities – what the County owes.

Net Position – The difference between (Assets plus Deferred Outflows of Resources) and (Liabilities plus Deferred Inflows of Resources)

Realignment funding – Refers to the realigning of the funding and responsibility for a wide range of programs and services from the State to local governments.

Proposition 172 funding – a ballot measure approved in 1993 that placed a one-half cent state-wide sales tax that is to be used only for local public safety activities.

Redevelopment was a process that enabled local governments to revitalize deteriorated and blighted areas and was funded by property tax revenues. Redevelopment agencies (RDAs) were dissolved in February 2012 and the property tax revenues are now used to pay the required payment on existing obligations of these former RDAs.



Office of the Auditor-Controller

Phyllis S. Taynton, CPA

Solano County, California

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