



Financial Statements
June 30, 2022

San Bernardino City Unified School District

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Independent Auditor's Report

Governing Board
San Bernardino City Unified School District
San Bernardino, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the San Bernardino City Unified School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, 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.

Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for accounts receivable as of June 30, 2021, were discovered by management of the District during the current year. Accordingly, a restatement has been made to the General Fund's fund balance and governmental activities net position as of July 1, 2021 to correct the error. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and fund balances of the General Fund and Non-Major Governmental Funds as of July 1, 2021, to restate beginning net position and fund balances. Our opinions are not modified with respect to this matter.

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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and schedule of the District's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the District'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 District'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 the District's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
January 31, 2023



SAN BERNARDINO CITY UNIFIED SCHOOL DISTRICT

Making Hope Happen

Mohammad Islam
Interim Associate Superintendent, Business, Facilities, and Operations

This section of San Bernardino City Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ending June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *Government-Wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.

- The *Governmental Funds* statements tell how *basic* services like regular and special education were financed in the *short-term*, as well as what remains for future spending.
- *Proprietary Funds* statements offer *short* and *long-term* financial information about the activities the District operates like *businesses*, such as food services.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

BUSINESS SERVICES

Government-Wide Financial Statements

The Government-Wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 financial statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and deferred inflows of resources, and liabilities and deferred outflows of resources - is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's condition of school buildings and other facilities.

In the Government-Wide financial statements, the District's activities are divided into two categories:

Governmental Activities - Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Business-Type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's food services are included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term liabilities) or to show that it is properly using certain revenues (like State grants for building projects).

The District has two kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements 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 District's programs. Because this information does not encompass the additional long-term focus of the Government-Wide financial statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

Proprietary Funds - Services for which the District charges a fee is generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-Wide financial statements.

- The District's Enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- We use Internal Service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund - the Self-Insurance Fund.

THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was more than they were the year before - increasing 52.8% or \$120,849,407. Most of this increase in the District's financial position came from its governmental activities, the net position of which increased by \$114,104,600 to \$344,784,452. The net position of the District's business-type activities increased by \$6,744,807 to \$5,140,006.

Table A-1

	Governmental Activities		Business-Type Activities		School District Activities	
	2022	2021 as restated	2022	2021	2022	2021 as restated
Assets						
Current and other assets	\$ 630,125,602	\$ 670,211,560	\$ 17,363,239	\$ 13,811,261	\$ 647,488,841	\$ 684,022,821
Capital assets	976,206,633	948,859,402	1,709,026	2,369,140	977,915,659	951,228,542
Total assets	1,606,332,235	1,619,070,962	19,072,265	16,180,401	1,625,404,500	1,635,251,363
Deferred outflows of resources	181,359,440	212,720,495	3,151,225	3,277,070	184,510,665	215,997,565
Liabilities						
Current liabilities	180,022,454	242,898,167	391,795	1,084,748	180,414,249	243,982,915
Long-term liabilities other than OPEB and pensions	451,430,457	481,501,350	-	-	451,430,457	481,501,350
Net OPEB liability	137,685,723	121,653,449	2,802,922	2,388,655	140,488,645	124,042,104
Aggregate net pension liability	385,587,463	729,870,433	9,917,890	17,391,554	395,505,353	747,261,987
Total liabilities	1,154,726,097	1,575,923,399	13,112,607	20,864,957	1,167,838,704	1,596,788,356
Deferred inflows of resources	288,181,126	25,188,206	3,970,877	197,315	292,152,003	25,385,521
Net Position						
Net investment in capital assets	682,355,623	669,741,510	1,709,026	2,369,140	684,064,649	672,110,650
Restricted	231,372,068	197,198,433	3,430,980	-	234,803,048	197,198,433
Unrestricted (deficit)	(568,943,239)	(636,260,091)	-	(3,973,941)	(568,943,239)	(640,234,032)
Total net position (deficit)	\$ 344,784,452	\$ 230,679,852	\$ 5,140,006	\$ (1,604,801)	\$ 349,924,458	\$ 229,075,051

Changes in Net Position

The District's total revenues increased by \$56,714,770 (see Table A-2). State and Federal aid for specific programs contributed about 0.31 cents of every dollar raised. Another 0.65 cents of every dollar raised came from property taxes and State and Federal formula aid, and the remainder from fees charged for services and miscellaneous sources.

Table A-2

	Governmental Activities		Business-Type Activities		School District Activities	
	2022	2021*	2022	2021	2022	2021*
Revenues						
Program revenues						
Charges for services and sales	\$ 8,612,717	\$ 7,969,581	\$ 425,464	\$ 1,066	\$ 9,038,181	\$ 7,970,647
Operating grants and contributions	257,888,793	288,464,522	36,857,768	22,410,237	294,746,561	310,874,759
Capital grants and contributions	10,219,160	5,481,990	-	-	10,219,160	5,481,990
General revenues						
Federal and State unrestricted	552,354,455	512,464,646	-	-	552,354,455	512,464,646
Property taxes	91,264,922	80,033,120	-	-	91,264,922	80,033,120
Other general revenues	30,604,129	14,672,546	125,087	140,017	30,729,216	14,812,563
Total revenues	950,944,176	909,086,405	37,408,319	22,551,320	988,352,495	931,637,725
Expenses						
Instruction-related	598,331,764	655,178,584	-	-	598,331,764	655,178,584
Pupil services	79,731,236	84,551,081	-	-	79,731,236	84,551,081
Administration	46,739,998	46,406,816	-	-	46,739,998	46,406,816
Plant services	81,188,145	77,668,843	-	-	81,188,145	77,668,843
All other services	30,848,433	31,201,450	30,663,512	27,831,667	61,511,945	59,033,117
Total expenses	836,839,576	895,006,774	30,663,512	27,831,667	867,503,088	922,838,441
Change in net position	<u>\$ 114,104,600</u>	<u>\$ 14,079,631</u>	<u>\$ 6,744,807</u>	<u>\$ (5,280,347)</u>	<u>\$ 120,849,407</u>	<u>\$ 8,799,284</u>

*The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

The total cost of all programs and services decreased by \$55,335,353. The District's expenses are predominantly related to educating and caring for students (78.2%). The purely administrative activities of the District accounted for just 5.6% of total costs.

Total revenues were greater than expenses, increasing net position by \$120,849,407 this fiscal year. The business-type activities contributed to the District's increase in net position by \$6,744,807.

Governmental Activities

Revenues for the District's governmental activities were \$950,944,176, whereas total expenses were \$836,839,576. The increase in net position for governmental activities occurred due to an overall increase in revenues.

- Some of the District's activities (\$8,612,717) were financed by the users of the District's programs. See Table A-2.
- The Federal and State governments subsidized certain programs with grants and contributions (\$268,107,953). See Table A-2.

Business-Type Activities

Revenues of the District's business-type activities were \$37,408,319, and expenses were \$30,663,512. (Refer to Table A-2).

Net Cost of Services

Table A-3 presents the costs of major District governmental activities: instruction-related activities, pupil services (guidance, counseling, and evaluation), administration, plant services, and other activities. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

- Most of the District's governmental activity net costs (\$560,118,906) million were financed by District taxpayers and the taxpayers of our State.
- This portion of governmental activities was financed with \$91,264,922 in property taxes, and \$552,354,455 of unrestricted State and Federal aid based on the State-wide education aid formula. See Table A-2.

Table A-3

	Total Cost of Services		Net Cost of Services	
	2022	2021*	2022	2021*
Instruction-related	\$ 598,331,764	\$ 655,178,584	\$ (379,375,330)	\$ (412,918,801)
Pupil services	79,731,236	84,551,081	(58,959,869)	(63,127,140)
Administration	46,739,998	46,406,816	(26,063,208)	(27,474,183)
Plant services	81,188,145	77,668,843	(78,686,545)	(75,386,898)
Other	30,848,433	31,201,450	(17,033,954)	(14,183,659)
Total	<u>\$ 836,839,576</u>	<u>\$ 895,006,774</u>	<u>\$ (560,118,906)</u>	<u>\$ (593,090,681)</u>

*The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported *combined* fund balances of \$358,905,430, an increase of 4.5% from the previous year.

The business-type activities remained financially stable. In addition to the District-Wide financial statements, Food Service activity is reported in greater detail in the enterprise fund statements.

The District's General Fund increased in fund balance by \$74,361,846. The District continues to meet the State required two percent fund balance reserve for Economic Uncertainties.

Table A-4

	Balances and Activity			
	June 30, 2021 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General Fund	\$ 119,836,371	\$ 894,799,058	\$ 820,437,212	\$ 194,198,217
Student Activity Fund	1,764,781	1,607,872	1,235,185	2,137,468
Building Fund	78,681,123	1,276,027	27,737,819	52,219,331
Adult Education Fund	2,125,524	8,243,307	7,792,995	2,575,836
Child Development Fund	5,576,640	10,407,162	12,906,912	3,076,890
Capital Facilities Fund	8,060,107	3,253,083	1,619,926	9,693,264
County School Facilities Fund	30,535,345	10,219,160	5,962,090	34,792,415
Special Reserve Fund for Capital Outlay Projects	6,640,150	576,862	5,264,077	1,952,935
Capital Projects Fund for Blended Component Units	63,830,610	2,597	33,457,324	30,375,883
Bond Interest and Redemption Fund	26,480,137	23,922,830	22,519,776	27,883,191
Total	\$ 343,530,788	\$ 954,307,958	\$ 938,933,316	\$ 358,905,430

General Fund Budgetary Highlights

The District revises the annual operating budget on an ongoing basis throughout the year.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$33,283,428 and the actual results for the year show revenues exceeding expenditures by \$74,361,846.

Actual revenues were \$65,114,961 lower than expected, due primarily to lower federal sources.

The actual expenditures were \$172,029,499 under budget, due primarily to less spending on books and supplies and other operating expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022, the District had invested \$977,915,659 in a broad range of capital assets, including school facilities and equipment. Total depreciation expense for the year was \$35,443,622. (More detailed information about capital assets can be found in the notes to the financial statements.)

Table A-5

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and construction in process	\$ 107,401,735	\$ 56,439,850	\$ -	\$ -	\$ 107,401,735	\$ 56,439,850
Buildings and improvements	856,480,637	878,720,685	716,450	1,157,851	857,197,087	879,878,536
Equipment	12,324,261	13,698,867	992,576	1,211,289	13,316,837	14,910,156
Total	<u>\$ 976,206,633</u>	<u>\$ 948,859,402</u>	<u>\$ 1,709,026</u>	<u>\$ 2,369,140</u>	<u>\$ 977,915,659</u>	<u>\$ 951,228,542</u>

Long-Term Liabilities

At year-end, the District had \$987,424,385 in long-term liabilities decreasing last year's balance by \$365,380,986.

Table A-6

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds - net (financed with property taxes)	\$ 329,565,186	\$ 342,711,750	\$ -	\$ -	\$ 329,565,186	\$ 342,711,750
Certificates of Participation- net of premium	94,593,110	101,908,617	-	-	94,593,110	101,908,617
Discount on issuance	(146,460)	(186,399)	-	-	(146,460)	(186,399)
Compensated absences	3,987,633	8,614,405	-	-	3,987,633	8,614,405
Claims liability	23,129,602	27,850,275	-	-	23,129,602	27,850,275
SELF assessment	301,386	602,702	-	-	301,386	602,702
Net other postemployment benefits (OPEB) liability	137,685,723	121,653,449	2,802,922	2,388,655	140,488,645	124,042,104
Aggregate net pension liability	385,587,463	729,870,433	9,917,890	17,391,554	395,505,353	747,261,987
Total	<u>\$ 974,703,643</u>	<u>\$ 1,333,025,232</u>	<u>\$ 12,720,812</u>	<u>\$ 19,780,209</u>	<u>\$ 987,424,455</u>	<u>\$ 1,352,805,441</u>

We present more detailed information regarding our long-term liabilities, including net OPEB liability and net pension liability, in the notes to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

1. Since the Local Control Funding Formula is based on an improved or slow/no growth in the economy of the State of California, any volatility in revenues will impact the District's financial condition.
2. The District anticipates that its enrollment or Average Daily Attendance (15.4% decrease in 2020-2022) will increase during fiscal year 2022-2023.
3. Collective bargaining.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, 777 North F Street, San Bernardino, California 92410.

San Bernardino City Unified School District

Statement of Net Position

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	\$ 556,499,149	\$ 13,611,149	\$ 570,110,298
Receivables	71,575,611	4,429,661	76,005,272
Internal balances	1,684,095	(1,684,095)	-
Prepaid expense	93,197	-	93,197
Stores inventories	158,816	1,006,524	1,165,340
Lease receivables	114,734	-	114,734
Capital assets not depreciated	107,401,735	-	107,401,735
Capital assets, net of accumulated depreciation	868,804,898	1,709,026	870,513,924
Total assets	1,606,332,235	19,072,265	1,625,404,500
Deferred Outflows of Resources			
Deferred charge on refunding	6,372,911	-	6,372,911
Deferred outflows of resources related to OPEB	35,486,765	740,019	36,226,784
Deferred outflows of resources related to pensions	139,499,764	2,411,206	141,910,970
Total deferred outflows of resources	181,359,440	3,151,225	184,510,665
Liabilities			
Accounts payable	164,474,609	367,200	164,841,809
Accrued interest payable	3,628,251	-	3,628,251
Unearned revenue	11,919,594	24,595	11,944,189
Long-term liabilities			
Long-term liabilities other than OPEB and pensions due within one year	30,137,841	-	30,137,841
Long-term liabilities other than OPEB and pensions due in more than one year	421,292,616	-	421,292,616
Net other postemployment benefits (OPEB) liability	137,685,723	2,802,922	140,488,645
Aggregate net pension liability	385,587,463	9,917,890	395,505,353
Total liabilities	1,154,726,097	13,112,607	1,167,838,704
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	1,352,504	28,204	1,380,708
Deferred inflows of resources related to pensions	286,713,888	3,942,673	290,656,561
Deferred inflows of resources related to leases	114,734	-	114,734
Total deferred inflows of resources	288,181,126	3,970,877	292,152,003
Net Position			
Net investment in capital assets	682,355,623	1,709,026	684,064,649
Restricted for			
Debt service	24,254,940	-	24,254,940
Capital projects	44,485,679	-	44,485,679
Educational programs	83,765,759	-	83,765,759
Self-insurance	71,280,247	-	71,280,247
Other activities	7,585,443	3,430,980	11,016,423
Unrestricted (deficit)	(568,943,239)	-	(568,943,239)
Total net position	\$ 344,784,452	\$ 5,140,006	\$ 349,924,458

San Bernardino City Unified School District
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 493,076,368	\$ 3,072,953	\$ 166,001,808	\$ 10,219,160	\$ (313,782,447)	\$ -	\$ (313,782,447)
Instruction-related activities							
Supervision of instruction	38,217,740	21,432	18,472,992	-	(19,723,316)	-	(19,723,316)
Instructional library, media, and technology	4,108,658	8	573,702	-	(3,534,948)	-	(3,534,948)
School site administration	62,928,998	2,692,006	17,902,373	-	(42,334,619)	-	(42,334,619)
Pupil services							
Home-to-school transportation	18,134,825	-	39,684	-	(18,095,141)	-	(18,095,141)
All other pupil services	61,596,411	374,790	20,356,893	-	(40,864,728)	-	(40,864,728)
Administration							
Data processing	9,262,379	(29,386)	(43,102)	-	(9,334,867)	-	(9,334,867)
All other administration	37,477,619	413,287	20,335,991	-	(16,728,341)	-	(16,728,341)
Plant services	81,188,145	784,981	1,716,619	-	(78,686,545)	-	(78,686,545)
Ancillary services	1,235,185	-	1,607,871	-	372,686	-	372,686
Community services	12,052,385	14,384	8,902,366	-	(3,135,635)	-	(3,135,635)
Interest on long-term liabilities	16,148,726	-	-	-	(16,148,726)	-	(16,148,726)
Other outgo	1,412,137	1,268,262	2,021,596	-	1,877,721	-	1,877,721
Total governmental activities	836,839,576	8,612,717	257,888,793	10,219,160	(560,118,906)	-	(560,118,906)
Business-Type Activities							
Food services	30,663,512	425,464	36,857,768	-	-	6,619,720	6,619,720
Total school district	\$ 867,503,088	\$ 9,038,181	\$ 294,746,561	\$ 10,219,160	(560,118,906)	6,619,720	(553,499,186)
General revenues and subventions							
Property taxes, levied for general purposes					\$ 58,498,676	\$ -	\$ 58,498,676
Property taxes, levied for debt service					24,185,498	-	24,185,498
Taxes levied for other specific purposes					8,580,748	-	8,580,748
Federal and State aid not restricted to specific purposes					552,354,455	-	552,354,455
Interest and investment earnings					(6,119,738)	8,513	(6,111,225)
Miscellaneous					36,723,867	116,574	36,840,441
Subtotal, general revenues and subventions					674,223,506	125,087	674,348,593
Change in Net Position					114,104,600	6,744,807	120,849,407
Net Position - Beginning, as restated					230,679,852	(1,604,801)	229,075,051
Net Position - Ending					\$ 344,784,452	\$ 5,140,006	\$ 349,924,458

San Bernardino City Unified School District

Balance Sheet – Governmental Funds

June 30, 2022

	General Fund	Student Activity Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 301,008,079	\$ 1,974,336	\$ 54,509,564	\$ 106,206,500	\$ 463,698,479
Receivables	64,203,947	108	149,154	6,992,360	71,345,569
Due from other funds	2,208,170	-	17,124	1,334,390	3,559,684
Prepaid expenditures	88,989	4,208	-	-	93,197
Stores inventories	-	158,816	-	-	158,816
Lease receivables	93,428	-	-	21,306	114,734
Total assets	\$ 367,602,613	\$ 2,137,468	\$ 54,675,842	\$ 114,554,556	\$ 538,970,479
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 159,308,862	\$ -	\$ 2,455,932	\$ 2,437,892	\$ 164,202,686
Due to other funds	3,475,622	-	579	351,834	3,828,035
Unearned revenue	10,526,484	-	-	1,393,110	11,919,594
Total liabilities	173,310,968	-	2,456,511	4,182,836	179,950,315
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	93,428	-	-	21,306	114,734
Fund Balances					
Nonspendable	299,989	165,274	-	-	465,263
Restricted	83,765,759	1,972,194	52,219,331	108,358,002	246,315,286
Assigned	93,732,469	-	-	1,992,412	95,724,881
Unassigned	16,400,000	-	-	-	16,400,000
Total fund balances	194,198,217	2,137,468	52,219,331	110,350,414	358,905,430
Total liabilities, deferred inflows of resources, and fund balances	\$ 367,602,613	\$ 2,137,468	\$ 54,675,842	\$ 114,554,556	\$ 538,970,479

San Bernardino City Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds \$ 358,905,430

Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in
governmental funds.

The cost of capital assets is:	\$ 1,385,458,050
Accumulated depreciation is:	<u>(409,251,417)</u>

Net capital assets	976,206,633
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An Internal Service Fund is used by the District's management to
charge the costs of the workers' compensation insurance program
to the individual funds. The assets and liabilities of the Internal
Service Fund are included with governmental activities in the
statement of net position.

71,280,247

In governmental funds, unmatured interest on long-term liabilities
is recognized in the period when it is due. On the government-wide
financial statements, unmatured interest on long-term liabilities is
recognized when it is incurred.

(3,628,251)

Deferred outflows of resources represent a consumption of net
position in a future period and is not reported in the governmental
funds. Deferred outflows of resources amounted to and related to

Refundings (deferred charge on refunding)	6,372,911
Net other postemployment benefits (OPEB) liability	35,486,765
Aggregate net pension liability	<u>139,499,764</u>

Total deferred outflows of resources	181,359,440
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Deferred inflows of resources represent an acquisition of net
position that applies to a future period and is not reported in
the governmental funds. Deferred inflows of resources amount
to and related to

Net OPEB liability	(1,352,504)
Aggregate net pension liability	<u>(286,713,888)</u>

Total deferred inflows of resources	(288,066,392)
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San Bernardino City Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the fund.		\$ (385,587,463)
The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(137,685,723)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	\$ 278,645,622	
Premium on issuance	20,934,973	
Certificates of participation	83,385,000	
Discount on issuance	(146,460)	
Compensated absences	3,987,633	
In addition, the District issues "capital appreciation" general obligation bonds. The accretion of interest on unmatured general obligation bonds to date is:	<u>41,192,701</u>	
Total long-term liabilities		<u>(427,999,469)</u>
Total net position - governmental activities		<u><u>\$ 344,784,452</u></u>

San Bernardino City Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Student Activity Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula	\$ 601,531,740	\$ -	\$ -	\$ -	\$ 601,531,740
Federal sources	132,117,841	-	1,542,258	1,552,429	135,212,528
Other state sources	149,122,676	-	-	20,635,147	169,757,823
Other local sources	11,295,800	1,607,872	(874,538)	33,849,594	45,878,728
Total revenues	894,068,057	1,607,872	667,720	56,037,170	952,380,819
Expenditures					
Current					
Instruction	486,502,023	-	-	4,301,526	490,803,549
Instruction-related activities					
Supervision of instruction	40,685,822	-	-	274,099	40,959,921
Instructional library, media, and technology	4,458,856	-	-	-	4,458,856
School site administration	65,272,265	-	-	2,693,308	67,965,573
Pupil services					
Home-to-school transportation	18,303,215	-	-	-	18,303,215
Food services	1,422,285	-	-	-	1,422,285
All other pupil services	67,406,443	-	-	425,421	67,831,864
Administration					
Data processing	9,856,933	-	-	-	9,856,933
All other administration	38,937,996	-	-	804,682	39,742,678
Plant services	74,177,939	-	-	917,473	75,095,412
Ancillary services	-	1,235,185	-	-	1,235,185
Community services	1,666,546	-	-	11,222,028	12,888,574
Other outgo	1,412,137	-	-	-	1,412,137
Enterprise services	76,938	-	-	-	76,938
Facility acquisition and construction	6,572,554	-	19,351,619	44,437,913	70,362,086
Debt service					
Principal	750,000	-	5,865,000	14,190,000	20,805,000
Interest and other	2,934,995	-	2,521,200	8,329,776	13,785,971
Total expenditures	820,436,947	1,235,185	27,737,819	87,596,226	937,006,177
Excess (Deficiency) of Revenues over Expenditures	73,631,110	372,687	(27,070,099)	(31,559,056)	15,374,642
Other Financing Sources (Uses)					
Transfers in	731,001	-	608,307	587,831	1,927,139
Transfers out	(265)	-	-	(1,926,874)	(1,927,139)
Net Financing Sources (Uses)	730,736	-	608,307	(1,339,043)	-
Net Change in Fund Balances	74,361,846	372,687	(26,461,792)	(32,898,099)	15,374,642
Fund Balances - Beginning, as restated	119,836,371	1,764,781	78,681,123	143,248,513	343,530,788
Fund Balances - Ending	\$ 194,198,217	\$ 2,137,468	\$ 52,219,331	\$ 110,350,414	\$ 358,905,430

San Bernardino City Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 15,374,642

Amounts Reported for Governmental Activities in the Statement
of Activities are Different Because:

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

Capital outlays	\$ 61,963,886	
Depreciation expense	<u>(34,595,591)</u>	

Net expense adjustment		27,368,295
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(21,064)
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In the Statement of Activities, certain operating expenses - compensated absences is measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was less than the amounts earned by \$4,626,772.		4,626,772
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In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		40,051,124
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In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(3,735,392)
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Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds		14,190,000
Certificate of participations		6,615,000

San Bernardino City Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of debt premium	\$ 4,487,765
Amortization of debt discount	(39,939)
Amortization of deferred charges on refunding	<u>(2,462,427)</u>

Combined adjustment	\$ 1,985,399
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Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased \$482,540, and second, \$4,830,694 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(4,348,154)

An Internal Service Fund is used by the District's management to charge the costs of the workers compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

11,997,978

Change in net position of governmental activities	<u><u>\$ 114,104,600</u></u>
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San Bernardino City Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2022

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
Assets		
Current assets		
Deposits and investments	\$ 13,611,149	\$ 92,800,670
Receivables	4,429,661	230,042
Due from other funds	169,672	1,958,668
Stores inventories	1,006,524	-
Total current assets	19,217,006	94,989,380
Noncurrent assets		
Capital assets, net of accumulated depreciation	1,709,026	-
Total assets	20,926,032	94,989,380
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	740,019	-
Deferred outflows of resources related to pensions	2,411,206	-
Total deferred outflows of resources	3,151,225	-
Liabilities		
Current liabilities		
Accounts payable	367,200	271,923
Due to other funds	1,853,767	6,222
Unearned revenue	24,595	-
Current portion of claims liability	-	7,731,455
SELF assessment	-	301,386
Total current liabilities	2,245,562	8,310,986
Noncurrent liabilities		
Noncurrent portion of claims liability	-	15,398,147
Net other postemployment benefits (OPEB) liability	2,802,922	-
Aggregate net pension liability	9,917,890	-
Total noncurrent liabilities	12,720,812	15,398,147
Deferred Inflows of Resources		
Deferred outflows of resources related to OPEB	28,204	-
Deferred inflows of resources related to pensions	3,942,673	-
Total deferred inflows of resources	3,970,877	-
Net Position		
Net investment in capital assets	1,709,026	-
Restricted	3,430,980	71,280,247
Total net position	\$ 5,140,006	\$ 71,280,247

San Bernardino City Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2022

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
Operating Revenues		
Charges for services	\$ 425,464	\$ 18,570,590
Charges to other funds and miscellaneous revenues	116,574	-
Total operating revenues	<u>542,038</u>	<u>18,570,590</u>
Operating Expenses		
Payroll costs	13,291,675	820,836
Professional and contract services	200,957	-
Supplies and materials	15,460,708	10,127
Facility rental	87,504	34
Other operating cost	774,637	4,326,036
Depreciation	848,031	-
Total operating expenses	<u>30,663,512</u>	<u>5,157,033</u>
Operating income (loss)	<u>(30,121,474)</u>	<u>13,413,557</u>
Nonoperating Revenues (Expenses)		
Interest income	8,513	623,309
Net change in fair market value	-	(2,038,888)
Federal grants	35,098,774	-
State grants	1,758,994	-
Total nonoperating revenues (expenses)	<u>36,866,281</u>	<u>(1,415,579)</u>
Change in Net Position	6,744,807	11,997,978
Total Net Position (Deficit) - Beginning	<u>(1,604,801)</u>	<u>59,282,269</u>
Total Net Position - Ending	<u><u>\$ 5,140,006</u></u>	<u><u>\$ 71,280,247</u></u>

San Bernardino City Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	Business-Type Activities Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
Operating Activities		
Cash receipts (payments) for user charges	\$ (198,816)	\$ 18,570,590
Cash payments for interfund services provided	-	(420,090)
Other operating cash payments	(745,567)	(104,329)
Cash payments to other suppliers of goods or services	(15,106,931)	-
Cash payments to employees for services	(16,451,665)	(820,836)
Cash payments for insurance claims	-	(9,348,025)
Net Cash Provided by (Used In) Operating Activities	<u>(32,502,979)</u>	<u>7,877,310</u>
Noncapital Financing Activities		
Nonoperating grants received	<u>36,857,768</u>	<u>-</u>
Capital and Related Financing Activities		
Acquisition of capital assets	<u>(187,917)</u>	<u>-</u>
Investing Activities		
Net gain (loss) on investments	<u>8,513</u>	<u>(1,415,579)</u>
Net Increase in Cash and Cash Equivalents	4,175,385	6,461,731
Cash and Cash Equivalents - Beginning	<u>9,435,764</u>	<u>86,338,939</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 13,611,149</u></u>	<u><u>\$ 92,800,670</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$ (30,121,474)	\$ 13,413,557
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	848,031	-
Changes in assets and liabilities		
Receivables	(451,831)	(15,060)
Due from other fund	(169,672)	(421,201)
Inventories	973,090	-
Deferred outflows of resources	125,845	-
Accounts payables	(552,167)	(79,108)
Due to other fund	133,811	1,111
Unearned revenue	(2,777)	-
Deferred inflows of resources	3,773,562	-
Net pension liability	(7,473,664)	-
Net other postemployment benefits (OPEB) liability	414,267	-
Claims liability and self assessment	-	(5,021,989)
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (32,502,979)</u></u>	<u><u>\$ 7,877,310</u></u>

Noncash, Noncapital Financing Activities

During the Year, the District Received \$1,648,622 of Food Commodities from the U.S. Department of Agriculture.

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The San Bernardino City Unified School District (the District) was unified on July 1, 1964, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates forty-nine elementary schools, ten middle schools, a K-8 school, a middle college, six comprehensive high schools, one alternative education school, two continuation high schools, a virtual academy, an adult education school, and two special education schools.

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 District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For San Bernardino City Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organization for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The San Bernardino City Unified School District and San Bernardino Schools Financing Corporation (the Corporation), as represented by the 2011 and 2019 Certifications of Participation, have a financial and operational relationship which meets the reporting entity definition for inclusion of the Corporation as a component unit of the District. Accordingly, the financial activities of the Corporation have been included in the financial statements of the District. The financial statements present the Corporation's financial activity within the Capital Project Fund for Blended Component Units. All debt instruments issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Other Related Entities

Charter School The District has approved Charters for PAL Academy (Charter Number 0335), Public Safety Academy (Charter Number 0731), ASA Charter (Charter Number 0677), Options for Youth - San Bernardino (Charter Number 1132), New Vision Middle (Charter Number 1089), Hardy Brown College Prep (Charter Number 1155), iEmpire Academy (Charter Number 1153), SOAR Charter Academy (Charter Number 0982), Ballington Academy for the Arts and Science – San Bernardino (1795), Woodward Leadership Academy (Charter Number 1438), Savant Preparatory Academy of Business (Charter Number 1971), and Entrepreneur High School (Charter Number 1922) pursuant to *Education Code* Section 47605. The Charter Schools are operated independently and are not considered component units of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

Due to implementation of GASB Statement No. 84, Fiduciary Activities, the District's Fund 73, Foundation Private-Purpose Trust Fund (Jeffords Trust Fund) is consolidated into the General Fund.

As a result, the General Fund reflects an increase in fund balance of \$20,947,854.

Student Activity Fund The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

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

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

- **Capital Project Fund for Blended Component Units Fund** The Capital Project Fund for Blended Component Units Fund are used to account for capital projects financed by the San Bernardino Schools Financing Corporation and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Proprietary Funds Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **Enterprise Fund** Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The enterprise major fund of the District accounts for the financial transactions related to the food service operations of the District.
- **Internal Service Fund** Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured workers' compensation program that is accounted for in an internal service fund.

Basis of Accounting - Measurement Focus

Government - Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

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

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

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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

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

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

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

Inventories are stated at the lower of cost or market, utilizing the weighted average method. The costs of inventory items are recorded as expenses in the proprietary-type funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school

members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Current Loans

Current loans consist of amounts outstanding at year end for Tax Revenue and Anticipation Notes. The notes were issued as short-term liabilities to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Leases

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the chief business and financial officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$234,803,048 of restricted net position, which is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food sales in the cafeteria, and charges to other funds for self-insurance activity. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in proprietary 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 and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of 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 of San Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 18 and the additional disclosures required by this standard is included in Note 5.

Implementation of GASB Statement No. 92

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

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

The requirements of this Statement are effective as follows:

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

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

Implementation of GASB Statement No. 93

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

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

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

Note 2 - Deposits and Investments**Summary of Deposits and Investments**

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

Governmental activities	\$ 556,499,149
Business-type activities	<u>13,611,149</u>
Total deposits and investments	<u><u>\$ 570,110,298</u></u>

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

Cash on hand and in banks	\$ 12,927,428
Cash in revolving	222,760
Investments	<u>556,960,110</u>
Total deposits and investments	<u><u>\$ 570,110,298</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

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

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Maturity in Days
San Bernardino County Treasury Investment Pool	\$ 522,562,591	495
US Bank Money Market Mutual Fund	31,147,024	1
Allspring Heritage Money Market Mutual Fund	3,250,495	8
Total	<u>\$ 556,960,110</u>	

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 with the San Bernardino County Treasury Investment Pool is rated AAA by Fitch Ratings. The US Bank Money Market Mutual Fund and Allspring Heritage Money Market Mutual Fund are not rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of \$728,594 held by Bank of America was exposed to custodial credit risk because it was uninsured and collateralized by securities held by pledging financial institution's trust department or agent but not in the name of the District. The remaining bank balance of \$11,858,218 held by other financial institutions was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Receivables

Receivables at June 30, 2022, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Student Activity Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund
Federal Government							
Categorical aid	\$ 46,980,229	\$ -	\$ -	\$ 280,324	\$ -	\$ 47,260,553	\$ 4,132,951
State Government							
LCFF apportionment	2,077,978	-	-	-	-	2,077,978	-
Categorical aid	8,148,315	-	-	6,003,135	-	14,151,450	242,877
Lottery	1,153,704	-	-	-	-	1,153,704	-
Special Education	4,494,715	-	-	-	-	4,494,715	-
Local Government							
Interest	417,608	-	126,054	105,329	189,214	838,205	-
Other Local Sources							
Other	931,398	108	23,100	603,572	40,828	1,599,006	53,833
Total	<u>\$ 64,203,947</u>	<u>\$ 108</u>	<u>\$ 149,154</u>	<u>\$ 6,992,360</u>	<u>\$ 230,042</u>	<u>\$ 71,575,611</u>	<u>\$ 4,429,661</u>

San Bernardino City Unified School District

Notes to Financial Statements

June 30, 2022

Note 4 - Capital Assets

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

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 32,151,833	\$ -	\$ -	\$ 32,151,833
Construction in process	24,288,017	59,501,527	8,539,642	75,249,902
Total capital assets not being depreciated	56,439,850	59,501,527	8,539,642	107,401,735
Capital assets being depreciated				
Land improvements	100,018,736	9,170,573	-	109,189,309
Buildings and improvements	1,126,394,701	358,630	-	1,126,753,331
Furniture and equipment	40,814,071	1,472,798	173,194	42,113,675
Total capital assets being depreciated	1,267,227,508	11,002,001	173,194	1,278,056,315
Less accumulated depreciation				
Land improvements	45,022,417	3,580,669	-	48,603,086
Buildings and improvements	302,670,335	28,188,582	-	330,858,917
Furniture and equipment	27,115,204	2,826,340	152,130	29,789,414
Total accumulated depreciation	374,807,956	34,595,591	152,130	409,251,417
Net depreciable capital assets	892,419,552	(23,593,590)	21,064	868,804,898
Governmental activities capital assets, net	<u>\$ 948,859,402</u>	<u>\$ 35,907,937</u>	<u>\$ 8,560,706</u>	<u>\$ 976,206,633</u>
Business-Type Activities				
Capital assets not being depreciated				
Buildings and improvements	\$ 8,841,937	\$ -	\$ -	\$ 8,841,937
Furniture and equipment	9,072,238	187,917	-	9,260,155
Total capital assets being depreciated	17,914,175	187,917	-	18,102,092
Less accumulated depreciation				
Buildings and improvements	7,684,086	441,401	-	8,125,487
Furniture and equipment	7,860,949	406,630	-	8,267,579
Total accumulated depreciation	15,545,035	848,031	-	16,393,066
Business-type activities capital assets, net	<u>\$ 2,369,140</u>	<u>\$ (660,114)</u>	<u>\$ -</u>	<u>\$ 1,709,026</u>

Depreciation and amortization expenses were charged to governmental and business-type functions as follows:

Governmental Activities		
Instruction		\$ 31,136,032
All other pupil services		2,421,691
All other general administration		691,912
Plant services		345,956
		<u>34,595,591</u>
Total depreciation and amortization expenses governmental activities		<u>34,595,591</u>
Business-Type Activities		
Food services		848,031
		<u>848,031</u>
Total depreciation and amortization expenses all activities		<u>\$ 35,443,622</u>

Note 5 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

<u>Lease Receivables</u>	<u>Outstanding July 1, 2021 as restated</u>	<u>Addition</u>	<u>Deletion</u>	<u>Outstanding June 30, 2022</u>
Pinnacle Towers	\$ 116,020	\$ -	\$ 22,592	\$ 93,428
Crown Castle	42,130	-	20,824	21,306
	<u>158,150</u>	<u>-</u>	<u>43,416</u>	<u>114,734</u>
Total	<u>\$ 158,150</u>	<u>\$ -</u>	<u>\$ 43,416</u>	<u>\$ 114,734</u>

Pinnacle Towers

The District leases a portion of its facilities at for cellular towers. The lease is for a term of 5 years and may be renewed for an additional 5-year term. The agreement allows for 10.00% annual increases to the lease payments. During the fiscal year, the District recognized \$22,592 in lease revenues and \$2,153 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$93,428 in lease receivables and deferred inflows of resources for this arrangement. The District used an interest rate of 2.75%, based on the rates available to finance real estate over the same time periods.

Crown Castle

The District leases a portion of its facilities at for cellular towers. The lease is for a term of 5 years and may be renewed for an additional 5-year term. The agreement allows for 10.00% annual increases to the lease payments. During the fiscal year, the District recognized \$20,824 in lease revenues and \$800 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$21,306 in lease receivables and deferred inflows of resources for this arrangement. The District used an interest rate of 2.75%, based on the rates available to finance real estate over the same time periods.

Note 6 - Interfund Transactions**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds, enterprise funds, and internal service funds, are as follows:

Due To	Due From					Total
	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Food Service Enterprise Fund	
General Fund	\$ -	\$ -	\$ 348,181	\$ 6,222	\$ 1,853,767	\$ 2,208,170
Building Fund	17,124	-	-	-	-	17,124
Non-Major Governmental Funds	1,330,158	579	3,653	-	-	1,334,390
Internal Service Fund	1,958,668	-	-	-	-	1,958,668
Food Service Enterprise Fund	169,672	-	-	-	-	169,672
Total	<u>\$ 3,475,622</u>	<u>\$ 579</u>	<u>\$ 351,834</u>	<u>\$ 6,222</u>	<u>\$ 1,853,767</u>	<u>\$ 5,688,024</u>

The balance of \$1,853,767 due to the General Fund from the Food Service Enterprise Fund resulted from payroll, indirect costs, benefits, and other operating costs.

The balance of \$1,184,740 due to the Child Development Non-Major Governmental Fund from the General Fund resulted from transfer of revenues to the correct fund and for reimbursement of operating costing

The balance of \$1,958,668 due to the Internal Service Fund from the General Fund was for worker's compensation and other postemployment benefit charges.

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

Operating Transfers

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

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 731,001	\$ 731,001
Building Fund	-	608,307	608,307
Non-Major Governmental Funds	265	587,566	587,831
Total	<u>\$ 265</u>	<u>\$ 1,926,874</u>	<u>\$ 1,927,139</u>

San Bernardino City Unified School District

Notes to Financial Statements

June 30, 2022

The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of eligible construction project costs.	\$ 265
The County School Facilities Non-Major Governmental Fund transferred to the General Fund for reimbursement of eligible construction project costs.	731,001
The County School Facilities Non-Major Governmental Fund transferred to the Building Fund for reimbursement of eligible construction project costs.	608,307
The County School Facilities Non-Major Governmental Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for reimbursement of eligible construction project costs.	<u>587,566</u>
Total	<u>\$ 1,927,139</u>

Note 7 - Accounts Payable

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund
Accrued salaries and benefits	\$ 55,824,900	\$ -	\$ 744,548	\$ 194	\$ 56,569,642	\$ -
LCFF apportionment	59,348,273	-	-	-	59,348,273	-
Books and supplies	11,071,792	-	190,386	1,474	11,263,652	367,200
Services and other operating	26,049,120	347,164	279,576	270,255	26,946,115	-
Construction	1,735,488	2,108,768	458,064	-	4,302,320	-
Other vendor payables	5,279,289	-	765,318	-	6,044,607	-
Total	<u>\$ 159,308,862</u>	<u>\$ 2,455,932</u>	<u>\$ 2,437,892</u>	<u>\$ 271,923</u>	<u>\$ 164,474,609</u>	<u>\$ 367,200</u>

Note 8 - Unearned Revenue

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Food Service Enterprise Fund
Federal financial assistance	\$ 9,009,695	\$ -	\$ 9,009,695	\$ -
State categorical aid	841,627	784,298	1,625,925	-
Other local	675,162	608,812	1,283,974	24,595
Total	<u>\$ 10,526,484</u>	<u>\$ 1,393,110</u>	<u>\$ 11,919,594</u>	<u>\$ 24,595</u>

Note 9 - Tax Revenue Anticipation Notes (TRANS)

On April 20, 2022, the District issued \$72,250,000 of Tax and Revenue Anticipation notes bearing interest at 2.00%. The notes were issued to supplement cash flows. Interest and principal are due and payable on December 31, 2022. As of June 30, 2022, the District did not have any outstanding balance.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2021	Additions	Payments	Outstanding June 30, 2022
4/20/2021	2.00%	12/30/2021	<u>\$ 72,250,000</u>	<u>\$ -</u>	<u>\$ 72,250,000</u>	<u>\$ -</u>

Note 10 - Long-Term Liabilities Other than OPEB and Pensions**Summary**

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

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due in One Year
Governmental Activities					
General obligation bonds	\$ 329,197,629	\$ 4,830,694	\$ 14,190,000	\$ 319,838,323	\$ 15,090,000
Premium on issuance	13,514,121	-	3,787,258	9,726,863	-
Certificates of participation	90,000,000	-	6,615,000	83,385,000	7,015,000
Discount on issuance	(186,399)	-	(39,939)	(146,460)	-
Premium on issuance	11,908,617	-	700,507	11,208,110	-
Compensated absences	8,614,405	-	4,626,772	3,987,633	-
Claims liability	27,850,275	3,010,782	7,731,455	23,129,602	7,731,455
SELF assessment	602,702	-	301,316	301,386	301,386
Total	<u>\$ 481,501,350</u>	<u>\$ 7,841,476</u>	<u>\$ 37,912,369</u>	<u>\$ 451,430,457</u>	<u>\$ 30,137,841</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. 2011 certificates of participations (COPs) are paid from the Building Fund and 2019 COPs are paid by the General Fund. The compensated absences will be paid by the fund for which the employee worked, which includes the General Fund, Adult Education Fund, and Child Development Fund. Claims liability and SELF assessment are paid by the Internal Service Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2022
5/1/03	8/1/27	1.10 - 5.46%	\$ 15,000,000	\$ 18,235,101	\$ -	\$ 952,317	\$ 1,755,000	\$ 17,432,418
9/16/04	8/1/29	1.25 - 5.46%	44,999,498	1,870,310	-	167,270	-	2,037,580
5/18/06	8/1/30	4.50 - 5.15%	67,999,967	5,651,762	-	475,887	-	6,127,649
3/3/11	8/1/42	7.41 - 7.50%	11,525,419	25,753,906	-	1,960,906	-	27,714,812
3/3/11	8/1/35	7.41 - 7.50%	5,477,434	14,046,550	-	1,274,314	-	15,320,864
5/22/13	8/1/28	2.00 - 5.00%	86,000,000	26,900,000	-	-	5,880,000	21,020,000
6/12/13	8/1/27	0.99 - 4.66%	12,515,000	2,495,000	-	-	710,000	1,785,000
8/7/14	8/1/28	2.00-5.00%	24,705,000	13,050,000	-	-	1,790,000	11,260,000
7/15/15	8/1/40	2.00-5.00%	32,495,000	29,725,000	-	-	-	29,725,000
10/31/17	8/1/42	3.00-5.00%	31,550,000	30,270,000	-	-	755,000	29,515,000
10/31/17	8/1/42	4.00-5.00%	21,085,000	18,450,000	-	-	1,335,000	17,115,000
9/24/20	8/1/44	3.00%	35,000,000	35,000,000	-	-	-	35,000,000
9/24/20	8/1/37	0.49-2.73%	20,185,000	20,185,000	-	-	335,000	19,850,000
9/24/20	8/1/31	1.25-4.00%	13,250,000	13,250,000	-	-	-	13,250,000
9/24/20	8/1/37	0.49-2.72%	74,315,000	74,315,000	-	-	1,630,000	72,685,000
				<u>\$ 329,197,629</u>	<u>\$ -</u>	<u>\$ 4,830,694</u>	<u>\$ 14,190,000</u>	<u>\$ 319,838,323</u>

1999 General Obligation Bonds, Series C

On May 1, 2003, the District issued the \$15,000,000 1999 General Obligations Bonds, Series C. The Series C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$16,775,000, and an aggregate principal debt service balance of \$31,775,000. The bonds have a final maturity which occurs on August 1, 2027, with interest rates of 1.10 to 5.46%. Proceeds from the sale of the bonds were used to finance the construction, renovation, and repair of certain school facilities. On September 16, 2004, the District issued the 2004 General Obligation Refunding Bonds in the amount of \$37,055,000. Bond proceeds from this issuance were used to refund \$7,160,000 of the outstanding 1999 General Obligation Bonds, Series C. At June 30, 2022, 1999 General Obligation Bonds, Series C totaling \$17,432,418 (including accretion) were still outstanding.

2004 General Obligation Bonds, Series A

On September 16, 2004, the District issued the 2004 General Obligation Bonds, Series A, in the amount of \$44,999,498. The Series A bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$3,910,000, and an aggregate principal debt service balance of \$48,415,000. The bonds have a final maturity which occurs on August 1, 2029, with interest rates of 1.25 to 5.46%. The bonds were issued to fund the construction, renovation, and repair of certain District facilities and the prepayment of \$57,000,000 of the District's outstanding Certificates of Participation (School Facility Bridge Funding Program). During the 2014-2015 fiscal year, proceeds from the 2014 General Obligation Refunding Bonds were used to provide advance refunding of all outstanding current interest bonds, leaving only the capital appreciation bonds outstanding. At June 30, 2022, 2004 General Obligation Bonds, Series A, totaling \$2,037,580 (including accretion) were still outstanding.

2004 General Obligation Bonds, Series B

On May 18, 2006, the District issued \$67,999,967 of 2004 General Obligation Bonds, Series B. The Series B represents the second series of the authorized bonds not to exceed \$140,000,000 to be issued under the measure as approved by voters. The bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$14,480,033, and an aggregate principal debt service balance of \$82,480,000. In 2013, \$59,995,000 was refunded using proceeds from the 2013 Refunding General Obligation Bonds. The bonds have a final maturity which occurs on August 1, 2030, with interest rates of 4.50 to 5.15%. Proceeds from the sale of the bonds were used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2022, the principal balance outstanding (including accretion) was \$6,127,649.

2004 General Obligation Bonds, Series D

On March 3, 2011, the District issued the 2004 General Obligation Bonds, Series D, in the amount of \$11,525,419. The Series D represents the fourth series of authorized bonds not to exceed \$140,000,000 to be issued under the measure as approved by voters. The Series D bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$79,784,581, and an aggregate principal debt service balance of \$91,310,000. The bonds have a final maturity which occurs on August 1, 2042, with interest rates of 7.41 to 7.50%. Proceeds from the sale of the bonds were used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2022, the principal balance outstanding (including accretion) was \$27,714,812.

2004 General Obligation Bonds, Series E

On March 3, 2011, the District issued the 2004 General Obligation Bonds, Series E, in the amount of \$5,477,434. The Series E represents the fifth series of authorized bonds not to exceed \$140,000,000 to be issued under the measure as approved by voters. The Series E bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$35,157,566, and an aggregate principal debt service balance of \$40,635,000. The bonds have a final maturity which occurs on August 1, 2035, with interest rates of 7.41 to 7.50%. Proceeds from the sale of the bonds were used to fund capitalized interest and to pay the premiums of bond insurance and a reserve surety bond for the 2011 Certificates of Participation Series A. At June 30, 2022, the principal balance outstanding (including accretion) was \$15,320,864.

2013 Refunding General Obligation Bonds

On May 22, 2013, the District issued 2013 Refunding General Obligation Bonds in the amount of \$86,000,000. The refunding bonds were issued as current interest bonds. The bonds have a final maturity which occurs on August 1, 2028, with interest rates ranging from 2.00 to 5.00%. Proceeds from the sale of bonds were used to provide current refunding of \$13,730,000, \$16,175,000, and \$59,995,000 for the 2004 Refunding General Obligation Bonds, 2004 General Obligation Bonds, Series A, and 2004 General Obligation Bonds, Series B, respectively. During the 2021-2022 fiscal year, proceeds from the 2020 General Obligation Refunding Bonds, Series B were used to provide partial advance refunding of \$31,020,000 bonds. As of June 30, 2022, the principal balance outstanding was \$21,020,000.

2012 General Obligation Bonds, Series B

On June 12, 2013, the District issued the 2012 General Obligation Bonds, Series B in the amount of \$12,515,000. The Series B represents the second series of authorized bonds not to exceed \$250,000,000 to be issued under the measure as approved by voters. The bonds have a final maturity which occurs on August 1, 2027, with interest rates of 0.99 to 4.66%. The bonds were issued to fund the construction, renovation, and repair of certain District facilities. During the 2021-2022 fiscal year, proceeds from the District's 2020 General Obligation Refunding Bonds, Series B were used to provide partial advance refunding of \$4,065,000 bonds. At June 30, 2022, 2012 General Obligation Bonds, Series B, totaling \$1,785,000 were still outstanding.

2014 Refunding General Obligation Bonds

On August 7, 2014, the District issued 2014 Refunding General Obligation Bonds in the amount of \$24,705,000. The refunding bonds were issued as current interest bonds. The bonds have a final maturity which occurs on August 1, 2028 with interest rates of 2.00 to 5.00%. Proceeds from the sale of the bonds were used to provide advance refunding of the District's 2004 General Obligation Bonds, Series A and 2004 General Obligation Refunding Bonds in the amount of \$14,685,000 and \$12,470,000, respectively. As of June 30, 2022, the principal balance outstanding was \$11,260,000.

2012 General Obligation Bonds, Series C

On July 15, 2015, the District issued the 2012 General Obligation Bonds, Series C in the amount of \$32,495,000. The Series C represents the third series of authorized bonds not to exceed \$250,000,000 to be issued under the measure as approved by voters. The bonds have a final maturity which occurs on August 1, 2040, with interest rates of 2.00 to 5.00%. The bonds were issued to fund the construction, renovation, and repair of certain District facilities. At June 30, 2022, 2012 General Obligation Bonds, Series C, totaling \$29,725,000 were still outstanding.

2012 General Obligation Bonds, Series D

On October 31, 2017, the District issued \$31,550,000 2012 General Obligation Bonds, Series D. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2042, with interest rates from 3.00 to 5.00%. Proceeds from sale of bonds will be used to finance the acquisition, construction, modernization and equipping of District sites and facilities and pay the cost of issuing the Bonds. At June 30, 2022, 2012 General Obligation Bonds, Series D, totaling \$29,515,000 were still outstanding.

2012 General Obligation Bonds, Series E

On October 31, 2017, the District issued \$21,085,000 2012 General Obligation Bonds, Series E. The bonds were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2042, with interest rates from 4.00 to 5.00%. Proceeds from sale of bonds will be used to pay certain lease payments with respect to the District's outstanding Taxable Certificates of Participation, 2011 Series A (Direct Subsidy Qualified School Construction Bonds) and to pay the cost of issuing the Bonds. At June 30, 2022, 2012 General Obligation Bonds, Series E, totaling \$17,115,000 were still outstanding.

2012 General Obligation Bonds, Series F

On September 24, 2020, the District issued \$35,000,000 2012 General Obligation Bonds, Series F. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$36,281,589 (representing the principal amount of \$35,000,000 plus premium of \$1,643,950, less cost of issuance of \$362,361). The bonds have a final maturity to occur on August 1, 2044, with an interest rate at 3.00%. Proceeds from sale of bonds will be used to finance the acquisition, construction, repair, furnishing and equipping of the District sites and facilities, and pay the costs of issuing the bonds. At June 30, 2022, 2012 General Obligation Bonds, Series F, totaling \$35,000,000 were still outstanding.

2012 General Obligation Bonds, Series G

On September 24, 2020, the District issued \$20,185,000 2012 General Obligation Bonds, Series G. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$19,975,537 (representing the principal amount of \$20,185,000 less cost of issuance of \$209,463). The bonds have a final maturity to occur on August 1, 2037, with interest rates ranging from 0.489 to 2.732%. Proceeds from sale of bonds will be used to pay certain of the lease payments with respect to the District's outstanding Taxable Certificates of Participation, 2011 Series A (Direct Subsidy Qualified School Construction Bonds) and pay the costs of issuing the bonds. At June 30, 2022, 2012 General Obligation Bonds, Series G, totaling \$19,850,000 were still outstanding.

2020 General Obligation Refunding Bonds, Series A

On September 24, 2020, the District issued \$13,250,000 2020 General Obligation Refunding Bonds, Series A. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$14,406,616 (representing the principal amount of \$13,250,000 plus premium of \$1,294,511, less cost of issuance of \$135,895). The bonds have a final maturity to occur on August 1, 2031, with interest rates ranging from 1.25 to 4.00%. Proceeds from the bonds will be used to refund certain of the District's outstanding prior bonds and pay the costs of issuing the Refunding Bonds. The refunding combined with 2020 General Obligation Refunding Bonds, Series B, resulted in cumulative cash flow saving of \$10,912,284 over the life of the new debt and an economic gain of \$8,789,841 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.193%. At June 30, 2022, the principal balance outstanding of the 2020 General Obligation Refunding Bonds, Series A was \$13,250,000.

2020 General Obligation Refunding Bonds, Series B

On September 24, 2020, the District issued \$74,315,000 2020 General Obligation Refunding Bonds, Series B. The bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$73,644,877 (representing the principal amount of \$74,315,000 less cost of issuance of \$670,123). The bonds have a final maturity to occur on August 1, 2037, with interest rates ranging from 0.429 to 2.722%. Proceeds from the bonds will be used to refund certain of the District's outstanding prior bonds and pay the costs of issuing the Refunding Bonds. At June 30, 2022, the principal balance outstanding of the 2020 General Obligation Refunding Bonds, Series B was \$72,685,000.

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest to Date</u>	<u>Accreted Interest</u>	<u>Current Interest to Maturity</u>	<u>Total</u>
2023	\$ 15,041,552	\$ 48,448	\$ 8,209,456	\$ 23,299,456
2024	15,462,600	152,400	8,164,743	23,779,743
2025	16,048,549	266,451	7,203,844	23,518,844
2026	16,059,202	950,101	6,336,005	23,345,308
2027	16,811,116	1,083,884	6,109,852	24,004,852
2028-2032	69,869,628	8,785,372	26,156,986	104,811,986
2033-2037	61,589,876	37,770,124	19,637,014	118,997,014
2038-2042	70,068,286	49,601,714	11,481,777	131,151,777
2043-2045	38,887,514	1,537,486	1,815,125	42,240,125
Total	<u>\$ 319,838,323</u>	<u>\$ 100,195,980</u>	<u>\$ 95,114,802</u>	<u>\$ 515,149,105</u>

Certificates of Participation

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds Outstanding July 1, 2021</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Bonds Outstanding June 30, 2022</u>
3/3/11	2/1/26	7.903-8.403%	\$ 53,080,000	\$ 30,975,000	\$ -	\$ 5,865,000	\$ 25,110,000
6/27/19	10/1/38	3.00-5.00%	62,705,000	59,025,000	-	750,000	58,275,000
				<u>\$ 90,000,000</u>	<u>\$ -</u>	<u>\$ 6,615,000</u>	<u>\$ 83,385,000</u>

2011 Certificates of Participation, Series A

On March 3, 2011, the San Bernardino Schools Financing Corporation issued the 2011 Certificates of Participation Series A in the amount of \$53,080,000. The certificates have a final maturity date of February 1, 2026, with interest rates ranging from 7.903 to 8.403%. Proceeds from the sale of certificates were used to finance the construction, renovation, and repair of certain school facilities. At June 30, 2022, the principal balance outstanding was \$25,110,000.

2019 Certificates of Participation

On June 27, 2019, the San Bernardino Schools Financing Corporation issued 2019 Certificates of Participation in the amount of \$62,705,000. The certificates have a final maturity date of October 1, 2038, with interest rates ranging from 3.00 to 5.00%. Proceeds from the sale of certificates will be used to finance capital improvements to the District sites and facilities, purchase a municipal bond debt service reserve fund insurance policy for deposit in the debt service reserve fund established for the Certificates, and pay certain costs related to the execution and delivery of the Certificates. At June 30, 2022, the principal balance outstanding was \$58,275,000.

Debt Service Requirements to Maturity

The certificates mature through 2039 as follows:

Year Ending June 30,	Principal	Current Interest to Maturity	Total
2023	\$ 7,015,000	\$ 4,942,863	\$ 11,957,863
2024	7,435,000	4,402,225	11,837,225
2025	1,525,000	3,828,587	5,353,587
2026	14,720,000	3,220,322	17,940,322
2027	2,115,000	2,581,625	4,696,625
2028-2032	15,335,000	10,886,875	26,221,875
2033-2037	23,065,000	6,094,625	29,159,625
2038-2039	12,175,000	619,125	12,794,125
Total	<u>\$ 83,385,000</u>	<u>\$ 36,576,247</u>	<u>\$ 119,961,247</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$3,987,633.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2022, amounted to \$23,129,602, using a discount factor of 1.6%. See Note 13 for additional details.

SELF Assessment

The District is a member of School Excess Liability Fund (SELF), a cost sharing Joint Powers Authority (JPA) for the purpose of providing the District workers' compensation insurance. The SELF board of directors declared an equity assessment to the member districts. At June 30, 2022, the District's obligation on their pro-rata share of equity assessed was \$301,386.

Note 11 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 137,213,874	\$ 36,226,784	\$ 1,380,708	\$ 16,077,536
Medicare Premium Payment (MPP) Program	3,274,771	-	-	(734,403)
Total	<u>\$ 140,488,645</u>	<u>\$ 36,226,784</u>	<u>\$ 1,380,708</u>	<u>\$ 15,343,133</u>

The details of each plan are as follows:

District Plan**Plan Administration**

The California Public Employees' Retirement System (CalPERS) administers the San Bernardino City Unified School District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is an agent multi-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for CalPERS can be found on the CalPERS website at:

<https://calpers.ca.gov/pages/formspublications>.

Management of the trustee assets is vested with the California Public Employees' Retirement System (CalPERS).

Plan Membership

At June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	362
Active employees	<u>4,129</u>
	<u>4,491</u>

Benefits Provided

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

Contributions

The contribution requirements of the Plan members and the District are established and may be amended by the District, the San Bernardino Teachers Association (SBTA), the local California Service Employees Association (CSEA), and unrepresented groups. The District contributions are based on pay-as-you-go financing requirements, which include the statutory minimum required monthly premium, plus an administrative fee, on behalf of each retiree. In addition, the District makes supplemental contributions towards eligible retirees' premiums until age 65 according to the provisions of the District's agreement with its various employee groups. Any additional contributions are based on availability of funds. For the measurement period of June 30, 2021, the District contributed \$3,833,186 to the Plan, all of which was used for current premiums. For the current fiscal year, the District contributed \$10,466,562 to the plan.

Net OPEB Liability of the District

The District's net OPEB liability of \$137,213,874 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	\$ 137,316,530
Plan fiduciary net position	<u>(102,656)</u>
District's net OPEB liability	<u><u>\$ 137,213,874</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>0.07%</u></u>

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Investment rate of return	2.18%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00%

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

San Bernardino City Unified School District

Notes to Financial Statements

June 30, 2022

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2020	\$ 120,113,501	\$ 80,571	\$ 120,032,930
Service cost	11,194,410	-	11,194,410
Interest	2,723,470	-	2,723,470
Differences between expected and actual experience	(3,670,630)	-	(3,670,630)
Contributions-employer	-	10,101,568	(10,101,568)
Net investment income	-	5,639	(5,639)
Investment gain/losses	-	16,476	(16,476)
Changes of assumptions	10,788,965	-	10,788,965
Benefit payments	(3,833,186)	(10,101,568)	6,268,382
Administrative expense	-	(30)	30
Net change in total OPEB liability	17,203,029	22,085	17,180,944
Balance at June 30, 2021 (Measurement Date)	\$ 137,316,530	\$ 102,656	\$ 137,213,874

No changes of benefit terms noted.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.20% in 2020 to 2.18% in 2021.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.18%)	\$ 148,430,613
Current discount rate (2.18%)	137,213,874
1% increase (3.18%)	126,457,501

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

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	\$ 119,322,456
Current healthcare cost trend rate (4.00%)	137,213,874
1% increase (5.00%)	158,574,251

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$16,077,536. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 10,466,562	\$ -
Differences between expected and actual experience	4,910,585	-
Changes of assumptions	20,849,637	1,367,891
Net difference between projected and actual earnings on OPEB plan investments	-	12,817
Total	<u>\$ 36,226,784</u>	<u>\$ 1,380,708</u>

The deferred outflows of resources for OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

The deferred inflows of resources for change of assumptions and the net difference between projected and actual earnings on OPEB plan investments will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 2,165,265
2024	2,165,833
2025	2,166,176
2026	2,165,641
2027	2,168,933
Thereafter	13,547,666
Total	<u>\$ 24,379,514</u>

Medicare Premium Payment (MPP) Program**Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of \$3,274,771 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.8210%, and 0.8228%, resulting in a net decrease in the proportionate share of 0.0018%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(734,403).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	\$ 3,609,695
Current discount rate (2.16%)	3,274,771
1% increase (3.16%)	2,988,609

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 2,978,020
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	3,274,771
1% increase (5.50% Part A and 6.40% Part B)	3,614,983

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Student Activity Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 211,000	\$ 2,250	\$ -	\$ -	\$ 213,250
Stores inventories	-	158,816	-	-	158,816
Prepaid expenditures	88,989	4,208	-	-	93,197
Total nonspendable	299,989	165,274	-	-	465,263
Restricted					
Legally restricted programs	83,765,759	1,972,194	-	5,613,249	91,351,202
Capital projects	-	-	52,219,331	74,861,562	127,080,893
Debt services	-	-	-	27,883,191	27,883,191
Total restricted	83,765,759	1,972,194	52,219,331	108,358,002	246,315,286
Assigned					
Deferred maintenance	1,253,190	-	-	-	1,253,190
Increased MPP requirement	37,452,109	-	-	-	37,452,109
Reserve for deficit spending	54,632,168	-	-	-	54,632,168
Scholarships	395,002	-	-	-	395,002
Adult education	-	-	-	39,477	39,477
Future capital projects	-	-	-	1,952,935	1,952,935
Total assigned	93,732,469	-	-	1,992,412	95,724,881
Unassigned					
Reserve for economic uncertainties	16,400,000	-	-	-	16,400,000
Total	\$ 194,198,217	\$ 2,137,468	\$ 52,219,331	\$ 110,350,414	\$ 358,905,430

Note 13 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District participated in the Southern California Schools Risk Management (SCSRM) public risk entity pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2022, the District was self-funded for workers' compensation, with excess coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

The District has contracted with Kaiser and Health Net to provide employee medical and surgical benefits, and Delta Care and Met Life for dental benefits. Additional dental benefits and basic life insurance benefits are provided through the Southern California Schools Employee Benefits Association (SCSEBA) public risk entity pool.

Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2020 to June 30, 2022:

	<u>Workers' Compensation</u>
Liability Balance, July 1, 2020	\$ 23,809,230
Provision for estimated claims and claims administration	6,904,650
Claims payments	<u>(2,863,605)</u>
Liability Balance, June 30, 2021	27,850,275
Provision for estimated claims and claims administration	3,010,782
Claims payments	<u>(7,731,455)</u>
Liability Balance, June 30, 2022	<u>\$ 23,129,602</u>
Assets available to pay claims at June 30, 2022	<u><u>\$ 38,917,375</u></u>

Note 14 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 248,563,870	\$ 108,686,344	\$ 232,275,377	\$ 21,396,218
CalPERS	145,840,074	31,755,864	57,725,634	16,507,857
CalPERS - Safety Risk Pool	1,101,409	1,468,762	655,550	(1,984,343)
Total	<u>\$ 395,505,353</u>	<u>\$ 141,910,970</u>	<u>\$ 290,656,561</u>	<u>\$ 35,919,732</u>

The details of each plan are as follows:

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

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 Years of Service	5 Years of Service
Benefit vesting schedule	Monthly for Life	Monthly for Life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.92%	16.92%
Required employer contribution rate	10.828%	10.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$54,542,031.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District 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 District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 248,563,870
State's proportionate share of the net pension liability associated with the District	<u>125,067,699</u>
Total	<u><u>\$ 373,631,569</u></u>

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020 respectively, was 0.5462% and 0.5429%, resulting in a net increase in the proportionate share of 0.0033%.

For the year ended June 30, 2022, the District recognized pension expense of \$21,396,218. In addition, the District recognized pension expense and revenue of \$4,279,037 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 54,542,031	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	18,302,788	9,202,575
Differences between projected and actual earnings on pension plan investments	-	196,620,423
Differences between expected and actual experience in the measurement of the total pension liability	622,666	26,452,379
Changes of assumptions	<u>35,218,859</u>	<u>-</u>
Total	<u><u>\$ 108,686,344</u></u>	<u><u>\$ 232,275,377</u></u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (49,929,797)
2024	(45,669,451)
2025	(46,802,813)
2026	(54,218,362)
Total	<u>\$ (196,620,423)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 14,135,303
2024	15,057,124
2025	(1,809,165)
2026	(1,501,090)
2027	(4,156,743)
Thereafter	(3,236,070)
Total	<u>\$ 18,489,359</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2020) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 505,987,074
Current discount rate (7.10%)	248,563,870
1% increase (8.10%)	34,907,526

California Public Employees Retirement System (CalPERS)**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk 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. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced

benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

The CalPERS Safety Risk Pool provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Safety Risk Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	3% at 55	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	57
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	9.00%	16.50%
Required employer contribution rate	30.720%	16.500%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions for CalPERS and CalPERS Safety Risk Pool were \$24,640,116 and \$609,417, respectively.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS and CalPERS Safety Risk Pool net pension liabilities totaling \$145,840,074 and \$1,101,409, respectively. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.7172% and 0.7080%, resulting in a net increase in the proportionate share of 0.0092% for CalPERS. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.0561% and 0.0581%, resulting in a net decrease in the proportionate share of 0.0020% for CalPERS Safety Risk Pool.

For the year ended June 30, 2022, the District recognized pension expense of \$16,507,857 for CalPERS and \$(1,984,343) for CalPERS Safety Risk Pool. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 24,640,116	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,762,048	1,412,751
Differences between projected and actual earnings on pension plan investments	-	55,969,078
Differences between expected and actual experience in the measurement of the total pension liability	4,353,700	343,805
Total	<u>\$ 31,755,864</u>	<u>\$ 57,725,634</u>
	CalPERS Safety Risk Pool	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 609,417	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	671,170	-
Differences between projected and actual earnings on pension plan investments	-	655,550
Differences between expected and actual experience in the measurement of the total pension liability	188,175	-
Total	<u>\$ 1,468,762</u>	<u>\$ 655,550</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (14,036,996)
2024	(12,908,275)
2025	(13,457,719)
2026	(15,566,088)
Total	<u>\$ (55,969,078)</u>
	CalPERS Safety Risk Pool
Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (165,139)
2024	(152,384)
2025	(157,628)
2026	(180,399)
Total	<u>\$ (655,550)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 3,379,837
2024	1,130,035
2025	773,188
2026	76,132
Total	<u>\$ 5,359,192</u>

Year Ended June 30,	CalPERS Safety Risk Pool Deferred Outflows/(Inflows) of Resources
2023	\$ 393,198
2024	270,273
2025	195,874
Total	<u>\$ 859,345</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

CalPERS	
Net Pension Liability	
Discount Rate	
1% decrease (6.15%)	\$ 245,906,842
Current discount rate (7.15%)	145,840,074
1% increase (8.15%)	62,763,184
CalPERS Safety Risk Pool	
Net Pension Liability	
Discount Rate	
1% decrease (6.15%)	\$ 2,208,672
Current discount rate (7.15%)	1,101,409
1% increase (8.15%)	191,929

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$35,127,364 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS.

Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Public Agency Retirement System

The District also contributes to the Public Agency Retirement System (PARS), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by Federal law, all public sector employees who are not members of their employee's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use PARS as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes one percent of an employee's gross earnings. An employee is required to contribute 6.5% of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$85,281, which was one percent of its current-year covered payroll. Employee contributions amounted to \$499,152.

Note 15 - Commitments and Contingencies**Grants**

The District 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 General 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 District at June 30, 2022.

Litigation

The District 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 District at June 30, 2022.

Construction Commitments

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Athletic Complex Upgrades-Phase III- Arroyo Valley High School	\$ 590,913	9/30/2024
Barton Elementary School Modernization	155,131	6/30/2024
BOE Renovation	142,456	6/30/2026
Bonnie Oehl Elementary School Modernization	1,025,130	6/30/2024
Bradley Elementary School Modernization	709,159	12/31/2022
Cajon High School CTE - Bulding F Projects	1,723,627	12/31/2022
Cole Elementary School Modernization	499,800	12/31/2022
Del Rosa - Kinder	61,952	12/31/2022
Del Rosa Elementary School Modernization	349,648	6/30/2024
Del Vallejo Middle School - Classroom Upgrades	174,630	6/30/2024
Del Vallejo Middle School - Lunch Shade Shelter	71,618	6/30/2024
District Police Headquarters	2,059,605	6/30/2024
Hunt Elementary School Modernization	4,804,058	6/30/2023
Indian Springs High School CTE	130,078	6/30/2024
Late Start Lighting	15,750	6/30/2024
Martin Luther King Jr. Middle School Modernization	12,353	9/30/2022
North Park Elementary School Modernization	8,981,824	6/30/2023
Office Expansion PDC SMART/ WHAA	3,229,937	12/31/2022
Paakuma Expansion	9,881,508	6/30/2023
Pacific High School - Admin Building	374,096	6/30/2024
Pacific High School - C West Music Building	3,000	6/30/2024
Pacific High School - Modernization	182,569	6/30/2024
Pacific High School - Performing Arts Center	2,109,211	12/31/2022
Pacific High School - Student Center	4,619,379	12/31/2022
Pacific High School CTE - Biomed	342,614	6/30/2024
Pacific High School CTE Transportation Building	8,000	6/30/2024
Prop 39	40,841	6/30/2024
Rio Vista Elementary School Modernization	295,358	6/30/2024
San Bernardino High School CTE	289,570	6/30/2024
San Bernardino High School Theartre	29,118	6/30/2024
San Gorgonio High Scool - Tennis Court Fencing Replacement	86,229	6/30/2024
San Gorgonio High Scool CTE - Hospitality & Tourism	113,670	6/30/2024
Savant ADA Upgrades	204,119	12/31/2022
Serrano Middle School Modernization	1,676,506	12/31/2022
Shandin Hills Middle School Modernization	266,334	6/30/2024
	<u>\$ 45,259,791</u>	

Note 16 - Participation in Public Entity Risk Pools

The District is a member of the Southern California School's Risk Management (SCSRM), Southern California School's Employees Benefit Association (SCSEBA), and the Schools' Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium to each entity for its property and liability coverage, dental and life insurance coverage, and excess liability coverage, respectively. The relationships between the District and the pools are such that they are not component units of the District 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 District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2022, the District made payments of \$4,374,232, \$483,528, and \$301,316 to SCSRM, SCSEBA, and SELF, respectively, for the coverage noted above.

Note 17 - Correction of an Error

The District's prior-year governmental activities net position and fund balance of the General Fund have been restated as of July 1, 2021, to correct an error reported in the prior-year financial statements. The error was an overstatement of accounts receivable. The effect of the restatement is as follows:

	General Fund	Total Governmental Funds
Beginning Fund Balance previously reported at June 30, 2021	\$ 138,487,705	\$ 362,182,122
Adjustment to receivables	<u>(18,651,334)</u>	<u>(18,651,334)</u>
Fund Balance - Beginning, as Restated at July 1, 2021	<u><u>\$ 119,836,371</u></u>	<u><u>\$ 343,530,788</u></u>
Governmental Activities		
Net Position - Beginning, previously reported at June 30, 2021		\$ 249,331,186
Adjustment to receivables		<u>(18,651,334)</u>
Net Position - Beginning, as Restated at July 1, 2021		<u><u>\$ 230,679,852</u></u>

Note 18 - Adoption of New Accounting Standard - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position and fund balances were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Beginning Fund Balance, as Restated at July 1, 2021			
(Before GASB 87 implementation, but after prior-period adjustment)	\$ 119,836,371	\$ 143,248,513	\$ 343,530,788
Lease receivables	116,020	42,130	158,150
Deferred inflows of resources related to leases	(116,020)	(42,130)	(158,150)
Beginning Fund Balance, as Restated at July 1, 2021			
(After GASB 87 implementation and after prior-period adjustment)	<u>\$ 119,836,371</u>	<u>\$ 143,248,513</u>	<u>\$ 343,530,788</u>
Governmental Activities			
Net Position - Beginning, as Restated at July 1, 2021			
(Before GASB 87 implementation, but after prior-period adjustment)			\$ 230,679,852
Lease receivables			158,150
Deferred inflows of resources related to leases			<u>(158,150)</u>
Net Position - Beginning, as Restated at July 1, 2021			
(After GASB 87 implementation and after prior-period adjustment)			<u>\$ 230,679,852</u>



Required Supplementary Information
June 30, 2022

San Bernardino City Unified School District

San Bernardino City Unified School District

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 587,712,755	\$ 660,889,142	\$ 601,531,740	\$ (59,357,402)
Federal sources	189,560,237	207,527,020	132,117,841	(75,409,179)
Other State sources	127,849,096	134,528,446	149,122,676	14,594,230
Other local sources	10,464,974	17,457,709	11,295,800	(6,161,909)
Total revenues ¹	915,587,062	1,020,402,317	894,068,057	(126,334,260)
Expenditures				
Current				
Certificated salaries	338,640,443	369,649,937	343,699,454	25,950,483
Classified salaries	101,015,534	112,764,195	100,825,223	11,938,972
Employee benefits	221,028,935	223,638,549	212,074,465	11,564,084
Books and supplies	77,296,983	89,144,308	38,035,202	51,109,106
Services and operating expenditures	114,995,775	163,180,164	116,778,167	46,401,997
Other outgo	(333,238)	(132,873)	(169,682)	36,809
Capital outlay	52,008,001	30,573,715	5,509,123	25,064,592
Debt service - principal	750,000	750,000	750,000	-
Debt service - interest	2,932,500	3,877,996	2,934,995	943,001
Total expenditures ¹	908,334,933	993,445,991	820,436,947	173,009,044
Excess (Deficiency) of Revenues over Expenditures	7,252,129	26,956,326	73,631,110	46,674,784
Other Financing Sources (Uses)				
Transfers in	-	731,001	731,001	-
Transfers out	-	(265)	(265)	-
Net financing sources (uses)	-	730,736	730,736	-
Net Change in Fund Balance	7,252,129	27,687,062	74,361,846	46,674,784
Fund Balance - Beginning, as restated	119,836,371	119,836,371	119,836,371	-
Fund Balance - Ending	\$ 127,088,500	\$ 147,523,433	\$ 194,198,217	\$ 46,674,784

¹ As Fund 14, Deferred Maintenance Fund and Fund 73, Foundation Private-Purpose Trust Fund, for reporting purposes have been consolidated into the General Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP) revenues and expenditures, however, are not included in the original and final General Fund budgets.

San Bernardino City Unified School District
 Budgetary Comparison Schedule – Student Activity Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
Revenues				
Other local sources	\$ -	\$ -	\$ 1,607,872	\$ 1,607,872
Expenditures				
Current				
Services and operating expenditures	-	-	1,235,185	(1,235,185)
Excess (Deficiency) of Revenues over Expenditures	-	-	372,687	372,687
Net Change in Fund Balances	-	-	372,687	372,687
Fund Balance - Beginning	1,764,781	1,764,781	1,764,781	-
Fund Balance - Ending	<u>\$ 1,764,781</u>	<u>\$ 1,764,781</u>	<u>\$ 2,137,468</u>	<u>\$ 372,687</u>

San Bernardino City Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 11,194,410	\$ 8,528,220	\$ 7,283,362	\$ 7,088,430	\$ 6,898,715
Interest	2,723,470	3,603,322	3,420,481	3,229,893	2,744,804
Difference between expected and actual experience	(3,670,630)	123,469	3,159,537	-	-
Changes of assumptions	10,788,965	11,109,806	2,018,514	(1,989,663)	-
Benefit payments	(3,833,186)	(3,755,033)	(3,498,325)	(3,322,945)	(3,195,139)
Net change in total OPEB liability	17,203,029	19,609,784	12,383,569	5,005,715	6,448,380
Total OPEB liability - beginning	120,113,501	100,503,717	88,120,148	83,114,433	76,666,053
Total OPEB liability - ending	<u>\$ 137,316,530</u>	<u>\$ 120,113,501</u>	<u>\$ 100,503,717</u>	<u>\$ 88,120,148</u>	<u>\$ 83,114,433</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 10,101,568	\$ 3,755,033	\$ 3,498,325	\$ 3,322,945	\$ 3,195,139
Net investment income	5,639	5,449	2,787	2,578	6,515
Investment gain/losses	16,476	(2,703)	1,733	2,830	-
Other	-	-	-	177	-
Benefit payments	(10,101,568)	(3,755,033)	(3,498,325)	(3,322,945)	(3,195,139)
Administrative expense	(30)	(38)	(16)	(126)	(54)
Net change in plan fiduciary net position	22,085	2,708	4,504	5,459	6,461
Plan fiduciary net position - beginning	80,571	77,863	73,359	67,900	61,439
Plan fiduciary net position - ending	<u>\$ 102,656</u>	<u>\$ 80,571</u>	<u>\$ 77,863</u>	<u>\$ 73,359</u>	<u>\$ 67,900</u>
District's net OPEB liability - ending	<u>\$ 137,213,874</u>	<u>\$ 120,032,930</u>	<u>\$ 100,425,854</u>	<u>\$ 88,046,789</u>	<u>\$ 83,046,533</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.07%	0.07%	0.08%	0.08%	0.08%
Covered payroll	<u>\$ 467,934,531</u>	<u>\$ 420,534,359</u>	<u>\$ 405,911,512</u>	<u>\$ 403,835,579</u>	<u>\$ 366,519,389</u>
Net OPEB liability as a percentage of covered payroll	29.32%	28.54%	24.74%	21.80%	22.66%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

San Bernardino City Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Year ended June 30,					
Proportion of the net OPEB liability	0.8210%	0.8228%	0.9703%	0.9217%	0.9334%
Proportionate share of the net OPEB liability	\$ 3,274,771	\$ 4,009,174	\$ 3,613,190	\$ 3,528,155	\$ 3,927,024
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

San Bernardino City Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2022	2021	2020	2019
CalSTRS				
Proportion of the net pension liability	0.5462%	0.5429%	0.5485%	0.5135%
Proportionate share of the net pension liability	\$ 248,563,870	\$ 526,152,294	\$ 495,357,132	\$ 471,976,343
State's proportionate share of the net pension liability	125,067,699	271,231,570	270,250,386	270,228,530
Total	<u>\$ 373,631,569</u>	<u>\$ 797,383,864</u>	<u>\$ 765,607,518</u>	<u>\$ 742,204,873</u>
Covered payroll	<u>\$ 302,909,356</u>	<u>\$ 298,400,292</u>	<u>\$ 294,509,146</u>	<u>\$ 261,948,385</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	82.06%	176.32%	168.20%	180.18%
Plan fiduciary net position as a percentage of the total pension liability	87%	72%	73%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS				
Proportion of the net pension liability	0.7172%	0.7080%	0.6943%	0.6941%
Proportionate share of the net pension liability	\$ 145,840,074	\$ 217,241,037	\$ 202,349,338	\$ 185,064,897
Covered payroll	<u>\$ 107,557,275</u>	<u>\$ 102,438,761</u>	<u>\$ 97,102,757</u>	<u>\$ 93,009,607</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	135.59%	212.07%	208.39%	198.97%
Plan fiduciary net position as a percentage of the total pension liability	81%	70%	71%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
CalPERS- SAFETY RISK POOL				
Proportion of the net pension liability	0.0561%	0.0581%	0.0576%	0.0592%
Proportionate share of the net pension liability	\$ 1,101,409	\$ 3,868,656	\$ 3,595,769	\$ 3,475,844
Covered payroll	<u>\$ 2,331,095</u>	<u>\$ 2,264,069</u>	<u>\$ 2,053,305</u>	<u>\$ 2,074,975</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	47.25%	170.87%	175.12%	167.51%
Plan fiduciary net position as a percentage of the total pension liability	88%	70%	71%	71%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

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

San Bernardino City Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2018	2017	2016	2015
CalSTRS				
Proportion of the net pension liability	0.5156%	0.5069%	0.5067%	0.4545%
Proportionate share of the net pension liability	\$ 476,814,851	\$ 409,953,840	\$ 341,161,128	\$ 265,575,937
State's proportionate share of the net pension liability	282,079,638	233,379,408	180,436,628	160,366,217
Total	\$ 758,894,489	\$ 643,333,248	\$ 521,597,756	\$ 425,942,154
Covered payroll	\$ 271,078,657	\$ 256,558,229	\$ 235,204,155	\$ 224,057,629
Proportionate share of the net pension liability as a percentage of its covered payroll	175.90%	159.79%	145.05%	118.53%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS				
Proportion of the net pension liability	0.6748%	0.6771%	0.6606%	0.7166%
Proportionate share of the net pension liability	\$ 161,091,171	\$ 133,720,804	\$ 97,352,351	\$ 81,354,671
Covered payroll	\$ 87,645,191	\$ 81,804,735	\$ 79,747,749	\$ 69,703,855
Proportionate share of the net pension liability as a percentage of its covered payroll	183.80%	163.46%	122.08%	116.71%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS- SAFETY RISK POOL				
Proportion of the net pension liability	0.0628%	0.0657%	0.0713%	0.0473%
Proportionate share of the net pension liability	\$ 3,751,888	\$ 3,402,716	\$ 2,937,502	\$ 2,941,679
Covered payroll	\$ 1,853,036	\$ 1,545,625	\$ 1,192,863	\$ 1,158,119
Proportionate share of the net pension liability as a percentage of its covered payroll	202.47%	220.15%	246.26%	254.00%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	78%	79%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

San Bernardino City Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2022

	2022	2021	2020	2019
CalSTRS				
Contractually required contribution	\$ 54,542,031	\$ 48,919,861	\$ 51,026,450	\$ 47,946,089
Less contributions in relation to the contractually required contribution	<u>54,542,031</u>	<u>48,919,861</u>	<u>51,026,450</u>	<u>47,946,089</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 322,352,429</u>	<u>\$ 302,909,356</u>	<u>\$ 298,400,292</u>	<u>\$ 294,509,146</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
CalPERS				
Contractually required contribution	\$ 24,640,116	\$ 22,264,356	\$ 20,201,948	\$ 17,538,700
Less contributions in relation to the contractually required contribution	<u>24,640,116</u>	<u>22,264,356</u>	<u>20,201,948</u>	<u>17,538,700</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 107,551,794</u>	<u>\$ 107,557,275</u>	<u>\$ 102,438,761</u>	<u>\$ 97,102,757</u>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
CalPERS - SAFETY RISK POOL				
Contractually required contribution	\$ 609,417	\$ 862,279	\$ 559,264	\$ 499,559
Less contributions in relation to the contractually required contribution	<u>609,417</u>	<u>862,279</u>	<u>559,264</u>	<u>499,559</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 2,478,766</u>	<u>\$ 2,331,095</u>	<u>\$ 2,264,069</u>	<u>\$ 2,053,305</u>
Contributions as a percentage of covered payroll	<u>24.585%</u>	<u>36.990%</u>	<u>24.702%</u>	<u>24.330%</u>

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

San Bernardino City Unified School District
Schedule of the District's Contributions
Year Ended June 30, 2022

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	\$ 37,799,152	\$ 34,101,695	\$ 27,528,698	\$ 20,886,129
Less contributions in relation to the contractually required contribution	<u>37,799,152</u>	<u>34,101,695</u>	<u>27,528,698</u>	<u>20,886,129</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 261,948,385</u>	<u>\$ 271,078,657</u>	<u>\$ 256,558,229</u>	<u>\$ 235,204,155</u>
Contributions as a percentage of covered payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS				
Contractually required contribution	\$ 14,445,322	\$ 12,173,917	\$ 9,691,407	\$ 9,386,310
Less contributions in relation to the contractually required contribution	<u>14,445,322</u>	<u>12,173,917</u>	<u>9,691,407</u>	<u>9,386,310</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 93,009,607</u>	<u>\$ 87,645,191</u>	<u>\$ 81,804,735</u>	<u>\$ 79,747,749</u>
Contributions as a percentage of covered payroll	<u>15.531%</u>	<u>13.890%</u>	<u>11.847%</u>	<u>11.770%</u>
CalPERS - SAFETY RISK POOL				
Contractually required contribution	\$ 703,070	\$ 790,628	\$ 934,869	\$ 729,241
Less contributions in relation to the contractually required contribution	<u>703,070</u>	<u>790,628</u>	<u>934,869</u>	<u>729,241</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 2,074,975</u>	<u>\$ 1,853,036</u>	<u>\$ 1,545,625</u>	<u>\$ 1,192,863</u>
Contributions as a percentage of covered payroll	<u>33.883%</u>	<u>42.667%</u>	<u>60.485%</u>	<u>61.134%</u>

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

Note 1 - Purpose of Schedules**Budgetary Comparison Schedule**

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

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

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

At June 30, 2022, the District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Student Activity Fund	\$ -	\$ 1,235,185	\$ 1,235,185

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

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

- *Changes in Benefit Terms* – No changes noted in benefit terms.
- *Changes of Assumptions* – Changes of assumptions and other inputs reflect a change in the discount rate from 2.20% in 2020 to 2.18% in 2021.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of the District's Contributions

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



Supplementary Information
June 30, 2022

San Bernardino City Unified School District

San Bernardino City Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Education			
Indian Education	84.060A	[1]	\$ 83,269
Passed through California Department of Education (CDE)			
Adult Education - Basic Grants to States ELA	84.002A	14508	528,468
Adult Education - Basic Grants to States Secondary	84.002	13978	322,886
Subtotal			851,354
Title I Grant to Local Educational Agencies - Low Income and Neglected	84.010	14329	26,105,934
Title I Grant to Local Educational Agencies - School Improvement Funding	84.010	15438	1,295,684
Subtotal			27,401,618
English Language Acquisition State Grants - Immigrant Student Program	84.365	15146	48,801
English Language Acquisition State Grants - English Learner Student Program	84.365	14346	996,827
Subtotal			1,045,628
Twenty-First Century Community Learning Centers - High School ASSETs	84.287	14535	800,837
Special Education (IDEA) Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	10,380,554
Special Education Grants to States - Mental Health	84.027A	15197	570,278
Subtotal			10,950,832
Special Education Preschool Grants	84.173	13430	170,323
Special Education Preschool Grants - Preschool Staff Development	84.173A	13431	1,000
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	70,771
Subtotal			242,094
Subtotal Special Education (IDEA) Cluster			11,192,926
Special Education - Grants for Infants and Families	84.181	23761	59,697
Career and Technical Education - Basic Grants to States	84.048	14894	629,684
Student Support and Academic Enrichment Program	84.424	15396	2,062,969
Supporting Effective Instruction State Grants	84.367	14341	2,509,364
McKinney-Vento Homeless Assistance Grants	84.196	14332	197,872

[1] Direct award

San Bernardino City Unified School District

Schedule of Expenditures of Federal Awards

June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
Passed through California Department of Rehabilitation Workability II, Transition Partnership	84.126A	10006	\$ 311,496
Vocational Rehabilitation Services Program	84.126A	N/A	44,770
Subtotal			356,266
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	3,447,475
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	35,050,948
COVID-19 Governor's Emergency Education Relief Fund: Learning Loss Mitigation	84.425C	15517	1,669,882
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	27,429,062
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	7,450,942
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: State Reserve	84.425U	15621	25,000
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: State Reserve	84.425U	15649	8,374,933
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund: CCLC Rate Increase	84.425U	15651	80,351
COVID-19 ARP Homeless Children and Youth Program	84.425W	15535	52,817
Subtotal			83,581,410
Total U.S. Department of Education			130,772,894
U. S. Department of Health and Human Services			
Passed through CDE			
Child Care and Development Fund (CCDF) Cluster			
COVID-19 Child Care and Development Block Grant	93.575	15555	2,300
Child Care and Development Block Grant	93.575	15136	122,529
COVID-19 ARP California State Preschool Program One-Time Stipend	93.575	15640	312,000
Subtotal			436,829
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	266,546
Subtotal CCDF Cluster			703,375
Total U.S. Department of Health and Human Services			703,375

San Bernardino City Unified School District
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture Farm to School Grant Program	10.575	CN-F2S-IMPL-20-CA	\$ 21,742
Passed through CDE Child Nutrition Cluster			
National School Lunch Program - Section 4	10.555	13523	2,306,318
National School Lunch Program - Section 11	10.555	13524	22,074,896
After School Meal Supplements	10.555	13755	4,899,261
COVID-19 SNP Emergency Operational Cost Reimbursement	10.555	15637	2,807,378
Supply Chain Assistance (SCA) Funds	10.555	15655	1,093,915
Commodities	10.555	13524	<u>1,648,622</u>
Subtotal			<u>34,830,390</u>
School Breakfast Program - Especially Needy	10.553	13526	<u>54,396</u>
Subtotal Child Nutrition Cluster			<u>34,884,786</u>
Passed Through California Department of Social Services Child & Adult Care Food Program	10.558	13529	1,109,888
COVID-19 CACFP Emergency Operational Cost Reimbursement	10.558	13534	137,983
Child & Adult Care Food Program - Cash in Lieu of Commodities	10.558	13534	<u>54,218</u>
Subtotal			<u>1,302,089</u>
Total U.S. Department of Agriculture			<u>36,208,617</u>
U.S. Department of Defense Junior Reserve Office Training Corps	12.000	[1]	<u>132,854</u>
Total U.S. Department of Defense			<u>132,854</u>
U.S. Department of Justice STOP School Violence - Safety Threat and Assessment	16.839	20-YS-BX-004	<u>299,461</u>
Total U.S. Department of Justice			<u>299,461</u>
Federal Communication Commission (FCC) COVID-19 Emergency Connectivity Fund Program	32.009	[1]	<u>648,329</u>
Total Federal Communication Commission			<u>648,329</u>
Total Federal Financial Assistance			<u>\$ 168,765,530</u>

[1] Direct award, PCA number not available

ORGANIZATION

The San Bernardino City Unified School District was established July 1, 1964. The District operates forty-nine elementary schools, ten middle schools, one K-8 school, a middle college, six comprehensive high schools, one alternative education school, two continuation high schools, a virtual school, an adult education school, and two special education schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Dr. Scott Wyatt	President	2024
Danny Tillman	Vice President	2022
Dr. Barbara Flores	Member	2022
Mayra Ceballos	Member	2024
Dr. Gwendolyn Dowdy-Rodgers	Member	2024
Abigail Rosales-Medina	Member	2022
Vacant	Member	2024

ADMINISTRATION

Doc Ervin	Superintendent
Rachel Monárrez, Ph.D	Deputy Superintendent
Harold Sullins	Associate Superintendent, Business, Facilities, and Operations
Ricardo Esquivel, Ed.D.	Assistant Superintendent, Equity, Access, and Innovation
Marcus Funchess, Ed.D.	Assistant Superintendent, Human Resources
Sandra L. Rodriguez, Ed.D.	Assistant Superintendent, Student Services
Ana Applegate	Assistant Superintendent, Education Services

San Bernardino City Unified School District

Schedule of Average Daily Attendance

Year Ended June 30, 2022

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	12,463.21	12,693.69
Fourth through sixth	9,757.08	9,878.93
Seventh and eighth	5,972.36	5,993.04
Ninth through twelfth	11,501.77	11,390.30
Total Regular ADA	39,694.42	39,955.96
Extended Year Special Education		
Transitional kindergarten through third	-	20.31
Fourth through sixth	-	11.87
Seventh and eighth	-	5.43
Ninth through twelfth	-	15.66
Total Extended Year Special Education	-	53.27
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.90	4.11
Fourth through sixth	9.81	10.08
Seventh and eighth	6.64	6.25
Ninth through twelfth	34.27	34.13
Total Special Education, Nonpublic, Nonsectarian Schools	54.62	54.57
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.19	0.34
Fourth through sixth	0.66	0.87
Seventh and eighth	0.85	1.10
Ninth through twelfth	2.84	3.85
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	4.54	6.16
Total ADA	39,753.58	40,069.96

San Bernardino City Unified School District

Schedule of Instructional Time

Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	36,000	-	36,000	180	-	180	-	-	-	Complied
Grades 1 - 3	50,400										
Grade 1		54,450	-	54,450	180	-	180	-	-	-	Complied
Grade 2		54,450	-	54,450	180	-	180	-	-	-	Complied
Grade 3		54,450	-	54,450	180	-	180	-	-	-	Complied
Grades 4 - 8	54,000										
Grade 4		54,450	-	54,450	180	-	180	-	-	-	Complied
Grade 5		54,450	-	54,450	180	-	180	-	-	-	Complied
Grade 6		54,675	-	54,675	180	-	180	-	-	-	Complied
Grade 7		61,446	-	61,446	180	-	180	-	-	-	Complied
Grade 8		61,446	-	61,446	180	-	180	-	-	-	Complied
Grades 9 - 12	64,800										
Grade 9		65,712	-	65,712	180	-	180	-	-	-	Complied
Grade 10		65,712	-	65,712	180	-	180	-	-	-	Complied
Grade 11		65,712	-	65,712	180	-	180	-	-	-	Complied
Grade 12		65,712	-	65,712	180	-	180	-	-	-	Complied

San Bernardino City Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2022

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
Net Position	
Balance, June 30, 2022, Unaudited Actuals with GASB 54 and GASB 84 Consolidation, after Prior Period Adjustment	\$ 193,549,888
Increase in Receivables	<u>648,329</u>
Balance, June 30, 2022, Audited Financial Statement	<u><u>\$ 194,198,217</u></u>

San Bernardino City Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ^{1,4}	2020 ¹
General Fund ³				
Revenues	\$ 1,015,866,204	\$ 872,792,190	\$ 823,096,103	\$ 713,644,022
Other sources	-	731,001	-	2,014
Total revenues and other sources	<u>1,015,866,204</u>	<u>873,523,191</u>	<u>823,096,103</u>	<u>713,646,036</u>
Expenditures	(1,064,914,216)	(818,453,701)	(756,230,141)	(752,561,297)
Other uses	-	(265)	(239,841)	(5,429)
Total expenditures and other uses	<u>(1,064,914,216)</u>	<u>(818,453,966)</u>	<u>(756,469,982)</u>	<u>(752,566,726)</u>
Increase (Decrease) in Fund Balance	<u>\$ (49,048,012)</u>	<u>\$ 55,069,225</u>	<u>\$ 66,626,121</u>	<u>\$ (38,920,690)</u>
Ending Fund Balance	<u>\$ 124,202,351</u>	<u>\$ 173,250,363</u>	<u>\$ 118,181,138</u>	<u>\$ 51,555,017</u>
Available Reserves ²	<u>\$ 20,800,000</u>	<u>\$ 16,400,000</u>	<u>\$ 15,200,000</u>	<u>\$ 15,100,000</u>
Available Reserves as a Percentage of Total Outgo	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 987,424,455</u>	<u>\$ 1,352,805,441</u>	<u>\$ 1,232,223,759</u>
K-12 Average Daily Attendance at P-2	<u>41,654</u>	<u>39,754</u>	<u>45,871</u>	<u>45,871</u>

The General Fund balance has increased by \$121,695,346 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$49,048,012 (28.3%). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$244,799,304 over the past two years.

Average daily attendance has decreased by 6,117 over the past two years. However, an increase of 1,900 ADA is anticipated during fiscal year 2022-2023.

¹ Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Fund 14, Deferred Maintenance Fund and Fund 73, Foundation Private-Purpose Trust Fund, as required by GASB 54 and GASB 84, respectively.

⁴ Financial information for 2021 includes adjustment for prior-period error. See Note 17 for additional information.

San Bernardino City Unified School District

Schedule of Charter Schools

Year Ended June 30, 2022

Name of Charter School	Charter Number	Included in Audit Report
Provisional Accelerated Learning (PAL) Academy	0335	No
ASA Charter	0677	No
Public Safety Academy	0731	No
SOAR Charter Academy	0982	No
Options for Youth	1132	No
New Vision Middle	1089	No
Hardy Brown College Prep	1155	No
iEmpire Academy	1153	No
Woodward Leadership Academy	1438	No
Savant Preparatory Academy of Business	1971	No
Ballington Academy for the Arts and Science - San Bernardino	1795	No
Entrepreneur High School	1922	No

San Bernardino City Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund
Assets				
Deposits and investments	\$ 2,597,602	\$ 3,917,412	\$ 10,000,610	\$ 29,377,561
Receivables	817,799	17,281	74,311	6,069,462
Due from other funds	104,846	1,184,744	-	-
Lease receivable	-	-	-	-
Total assets	\$ 3,520,247	\$ 5,119,437	\$ 10,074,921	\$ 35,447,023
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 491,262	\$ 767,912	\$ 372,700	\$ 654,608
Due to other funds	106,838	227,836	8,957	-
Unearned revenue	346,311	1,046,799	-	-
Total liabilities	944,411	2,042,547	381,657	654,608
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	-	-	-	-
Fund Balances				
Restricted	2,536,359	3,076,890	9,693,264	34,792,415
Assigned	39,477	-	-	-
Total fund balances	2,575,836	3,076,890	9,693,264	34,792,415
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,520,247	\$ 5,119,437	\$ 10,074,921	\$ 35,447,023

San Bernardino City Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 2,054,241	\$ 30,375,883	\$ 27,883,191	\$ 106,206,500
Receivables	13,507	-	-	6,992,360
Due from other funds	44,800	-	-	1,334,390
Lease receivable	21,306	-	-	21,306
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,133,854</u>	<u>\$ 30,375,883</u>	<u>\$ 27,883,191</u>	<u>\$ 114,554,556</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 151,410	\$ -	\$ -	\$ 2,437,892
Due to other funds	8,203	-	-	351,834
Unearned revenue	-	-	-	1,393,110
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>159,613</u>	<u>-</u>	<u>-</u>	<u>4,182,836</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to leases	21,306	-	-	21,306
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted	-	30,375,883	27,883,191	108,358,002
Assigned	1,952,935	-	-	1,992,412
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,952,935</u>	<u>30,375,883</u>	<u>27,883,191</u>	<u>110,350,414</u>
Total liabilities, deferred inflows of resources, and fund balances				
	<u>\$ 2,133,854</u>	<u>\$ 30,375,883</u>	<u>\$ 27,883,191</u>	<u>\$ 114,554,556</u>

San Bernardino City Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2022

	Adult Education Fund	Child Development Fund	Capital Facilities Fund	County School Facilities Fund
Revenues				
Federal sources	\$ 851,354	\$ 701,075	\$ -	\$ -
Other State sources	358,353	9,450,741	-	10,663,050
Other local sources	7,033,600	255,346	3,253,083	(443,890)
Total revenues	8,243,307	10,407,162	3,253,083	10,219,160
Expenditures				
Current				
Instruction	3,981,853	319,673	-	-
Instruction-related activities				
Supervision of instruction	-	274,099	-	-
School site administration	2,532,238	161,070	-	-
Pupil services				
All other pupil services	287,276	138,145	-	-
Administration				
All other administration	278,297	526,385	-	-
Plant services	713,331	204,142	-	-
Community services	-	11,222,028	-	-
Facility acquisition and construction	-	61,370	1,619,926	4,035,216
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total expenditures	7,792,995	12,906,912	1,619,926	4,035,216
Excess (Deficiency) of Revenues Over Expenditures	450,312	(2,499,750)	1,633,157	6,183,944
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(1,926,874)
Net Financing Sources (Uses)	-	-	-	(1,926,874)
Net Change in Fund Balances	450,312	(2,499,750)	1,633,157	4,257,070
Fund Balances - Beginning, as restated	2,125,524	5,576,640	8,060,107	30,535,345
Fund Balances - Ending	\$ 2,575,836	\$ 3,076,890	\$ 9,693,264	\$ 34,792,415

San Bernardino City Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds Year Ended June 30, 2022

	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ 1,552,429
Other State sources	-	-	163,003	20,635,147
Other local sources	(10,969)	2,597	23,759,827	33,849,594
Total revenues	(10,969)	2,597	23,922,830	56,037,170
Expenditures				
Current				
Instruction	-	-	-	4,301,526
Instruction-related activities				
Supervision of instruction	-	-	-	274,099
School site administration	-	-	-	2,693,308
Pupil services				
All other pupil services	-	-	-	425,421
Administration				
All other administration	-	-	-	804,682
Plant services	-	-	-	917,473
Community services	-	-	-	11,222,028
Facility acquisition and construction	5,264,077	33,457,324	-	44,437,913
Debt service				
Principal	-	-	14,190,000	14,190,000
Interest and other	-	-	8,329,776	8,329,776
Total expenditures	5,264,077	33,457,324	22,519,776	87,596,226
Excess (Deficiency) of Revenues Over Expenditures	(5,275,046)	(33,454,727)	1,403,054	(31,559,056)
Other Financing Sources (Uses)				
Transfers in	587,831	-	-	587,831
Transfers out	-	-	-	(1,926,874)
Net Financing Sources (Uses)	587,831	-	-	(1,339,043)
Net Change in Fund Balances	(4,687,215)	(33,454,727)	1,403,054	(32,898,099)
Fund Balances - Beginning, as restated	6,640,150	63,830,610	26,480,137	143,248,513
Fund Balances - Ending	\$ 1,952,935	\$ 30,375,883	\$ 27,883,191	\$ 110,350,414

Note 1 - Purpose of Schedules**Schedule of Expenditures of Federal Awards (SEFA)**Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the San Bernardino City Unified School District (the District) under programs of the federal government for the year ended June 30, 2022. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in fund balance of the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal assistance was provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District did not report any commodities as inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consist of COVID-19 Child Development: Coronavirus Response and Relief Supplemental funds that in the previous period were recorded as revenues but unspent. These balances have been expended in the current period. In addition, Pandemic Relief EBT Local Administration Grant funds have been recorded in the current period as revenues that have not been expended as of June 30, 2022. These unspent balances are reported as legally restricted ending balances within the Food Services Enterprise Fund. Lastly, the District received Qualified School Construction Bonds – Interest Subsidy funds which are not required to be reported on the Schedule of Expenditure of Federal Awards.

	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Revenues, Expenses and Changes in Net Position		\$ 170,311,302
COVID-19 Child Development: Coronavirus Response and Relief Supplemental	93.575	2,300
Pandemic EBT Local Administrative Grant	10.649	(5,814)
Qualified School Construction Bonds - Interest Subsidy	[1]	(1,542,258)
Total federal financial assistance		<u>\$ 168,765,530</u>

[1]Federal financial assistance number applicable

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. 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 Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

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



Independent Auditor's Reports
June 30, 2022

San Bernardino City Unified School District



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Governing Board
San Bernardino City Unified School District
San Bernardino, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of San Bernardino City Unified School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2023.

Correction of Error

As discussed in Note 17 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for accounts receivable as of June 30, 2021, were discovered by management of the District during the current year. Accordingly, a restatement has been made to the General Fund's fund balance and governmental activities net position as of July 1, 2021 to correct the error. Our opinions are not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Notes 1 and 18 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and fund balances of the General Fund and Non-Major Governmental Funds as of July 1, 2021, to restate beginning net position and fund balances. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

San Bernardino City Unified School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rancho Cucamonga, California
January 31, 2023



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

To the Governing Board
San Bernardino City Unified School District
San Bernardino, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Bernardino City Unified School District's (the District) 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 the District's major federal programs for the year ended June 30, 2022. The District'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, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance

requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

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

Rancho Cucamonga, California
January 31, 2023



Independent Auditor's Report on State Compliance

Governing Board
San Bernardino City Unified School District
San Bernardino, California

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited San Bernardino City Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2022.

Qualified Opinion on After School Education and Safety Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

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

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

Matter Giving Rise to Qualified Opinion on After School Education and Safety Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding After School Education and Safety Program (see finding 2022-003). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	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	No, see below
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	No, see below

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Charter Schools	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

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

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

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

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

We did not perform In Person Instruction Grant procedures because the District did not receive funding for this grant.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material*

weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Rancho Cucamonga, California
January 31, 2023



Schedule of Findings and Questioned Costs
June 30, 2022

San Bernardino City Unified School District

San Bernardino City Unified School District

Summary of Auditor's Results

Year Ended June 30, 2022

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing Number</u>
Special Education (IDEA) Cluster	84.027, 84.027A, 84.173, 84.173A
Child Nutrition Cluster	10.553, 10.555
Education Stabilization Fund	84.425C, 84.425D, 84.425U, 84.425W
Dollar threshold used to distinguish between type A and type B programs	\$3,000,000
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for programs	Unmodified*

*Unmodified for all programs except for the following program which was qualified

Name of Program

After School Education and Safety

The following findings represents a significant deficiency and a material weakness related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2022-001 30000 – Prior Period Adjustment (Material Weakness)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries to ensure the financial statements are fairly stated. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During our review of current year state categorical program revenues, the related accounts receivable accruals, and clearing of prior year accounts receivable accruals, we noted that the District identified an amount of \$18,651,334 in the General Fund that had been accrued in error in the prior year.

Questioned Costs

There were no questioned costs associated the condition.

Context

The condition was identified as a result of our review of the clearing of prior-year accruals and of the beginning fund balance in the General Fund.

Effect

The effect of the error was a restatement of the beginning fund balance in the General Fund in the amount of \$18,651,334.

Cause

The cause of the condition identified appears to be due to late guidance issued by the California Department of Education with respect to certain categorical program revenues and the source of those revenues. The District's year-end review processes related to the preparation of the District's year-end financial statements did not identify the change needed prior to finalizing the closing of the books.

Repeat Finding

No.

Recommendation

Prior to closing the books, the District should review any final guidance from the county or California Department of Education that could have an impact on the financial statements. With the various new sources of revenue that Districts have received in the prior and current year, new guidance is being issued and is changing frequently.

Corrective Action Plan and Views of Responsible Officials

On June 30, 2021, an Estimated Receivable was established in the amount of \$18,651,344 in state resource 7425. During fiscal year 2021-2022, the District was notified that the revenue was going to be changed from state to federal revenue and from a Fund Balance Resource to an Unearned Revenue Resource as originally informed. The District closed out AR-210112 and as directed by the California Department of Education, the revenue will be recorded in 32XX federal resources when expenditures are recorded. There was no change to the District's total revenue for fiscal year 2021-2022. When fiscal year 2022-2023 records are closed, this amount will be reflected.

2022-002 30000 – Year-End Reporting (Significant Deficiency)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries to ensure the financial statements are fairly stated.

Condition

Based on our review of the District's grant accounting, we identified a difference \$648,329 in unrecorded revenues related to federal assistance for Emergency Connectivity Fund during our examination of the District's grant activities.

Questioned Costs

There were no questioned costs associated the condition.

Context

The condition was identified as a result of our review of the District's grant activities.

Effect

The effect of the error resulted in an understatement of General Fund ending fund balance by \$648,329.

Cause

The understatement of fund balance in the District's General Fund is a directly result of the District not being familiar with the unusual revenue stream related to Federal assistance.

Repeat Finding

No.

Recommendation

Prior to closing the books, the District should carefully review all year-end activities to ensure all transactions are posted accurately and within the correct accounting period.

Corrective Action Plan and Views of Responsible Officials

The District applied for the Emergency Connectivity Fund (ECF), a program offered by the Federal Communications Commission (FCC), in 2021 in response to the COVID-19 pandemic. The ECF program covered reasonable costs for devices and Wi-Fi hotspots for off-campus locations used by students and staff as schools transitioned to remote learning. The District applied for ECF Window 1 and is expected to receive a reimbursement of \$648,329 from the FCC.

None reported.

The following finding represents a material weakness and an instance of noncompliance including questioned costs that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2022-003 40000 (After School Safety and Education)

Criteria or Specific Requirements

California Education Code Section 8483(a)(1) states that every after school component of a program established pursuant to this article shall commence immediately upon the conclusion of the regular school day, and operate a minimum of 15 hours per week, and at least until 6 p.m. on every regular school day. Every after school component of the program shall establish a policy regarding reasonable early daily release of pupils from the program.

Condition

While verifying the total students served at Cole Elementary School, Curtis Middle School, Del Rosa Elementary School, Kendall Elementary School, Lankershim Elementary School, and Wilson Elementary School, discrepancy was noted between the total number of students served and reported to the California Department of Education (CDE) and number audited for the first half of the 2021-2022 fiscal year.

Questioned Costs

Under the provisions of the program, there are no questioned costs associated with this condition. However, the number of students served appears overstated by 3,843 for the first semi-annual reporting period.

Context

The condition identified resulted from our review of attendance records and summaries from Cole Elementary School, Curtis Middle School, Del Rosa Elementary School, Kendall Elementary School, Lankershim Elementary School, and Wilson Elementary School for the month of December 2021.

Effect

The District was not compliant with California Education Code Section 8483(a)(1) for the 2021-2022 fiscal year, since the number of students served as reported to the CDE is overstated when compared to supporting records.

Cause

The cause appears to have materialized as a result of inadequate review of the compiled attendance information that was submitted to the California Department of Education.

Repeat Finding

No.

Recommendation

For accurate attendance reporting, the District should review procedures used to report the number of students served to the CDE, so methods are consistent to allow for accurate reporting. Procedures for attendance should include an independent review of the sign out sheets, monthly summaries, and semiannual reports prior to submitting them to the CDE.

Corrective Action Plan and Views of Responsible Officials

The District concurs with the finding and management will develop internal controls to ensure this matter does not occur again.

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

Financial Statement Findings

2021-001 30000

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of the year-end closing entries necessary to ensure the financial statements are fairly stated. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

The District's Cash in Banks and Cash with Fiscal Agent in the Building Fund are overstated by combined amount of \$584,805.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified as a result of our audit of the financial statements as of June 30, 2022. During our review of available District records and audit procedures performed related to current year ending balances, the error noted was identified.

Effect

The effect of this current year adjustment was a decrease in the cash balance and fund balance in the Building Fund of \$584,805.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the review of cash balances to ensure the balance is accurate and has sufficient support.

Repeat Finding

No.

Recommendation

A thorough review of the District's financial statements should take place before the financial statements are finalized by the District's business department. Cash balances should be reviewed and traced to appropriate supporting document and any necessary adjustment to the balance should be made to reflect accurate balance.

Current Status

Implemented.