SAN BERNARDINO COUNTY
SUPERINTENDENT OF SCHOOLS

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2023

NIGRO & NIGRO PC

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS
For the Fiscal Year Ended June 30, 2023
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
San Bernardino County Superintendent of Schools
San Bernardino, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Bernardino County Superintendent of Schools (SBCSS), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SBCSS's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Bernardino County Superintendent of Schools, as of June 30, 2023, and the respective changes in financial position for the fiscal 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), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SBCSS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SBCSS'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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Change in Accounting Principle
As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the beginning net position on the Statement of Activities has been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Auditors' 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 SBCSS'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 SBCSS'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 proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the SBCSS's total OPEB liability and related ratios, schedule of the SBCSS's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 4, 2023, on our consideration of the SBCSS'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 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 SBCSS'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 SBCSS's internal control over financial reporting and compliance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the SBCSS's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 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, except for the LEA Organization Structure and the Schedule of Charter Schools, 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 and other supplementary information listed in the table of contents, except for the LEA Organization Structure and the Schedule of Charter Schools, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The LEA Organization Structure and the Schedule of Charter Schools has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 4, 2023 on our consideration of the SBCSS'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 SBCSS'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 SBCSS's internal control over financial reporting and compliance.

Nigro & Nigro, PC

Murrieta, California
October 4, 2023

This discussion and analysis of San Bernardino County Superintendent of Schools' financial performance provides an overview of the SBCSS's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the SBCSS's financial statements, which immediately follow this section.

MISSION OF THE SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

The mission of the San Bernardino County Superintendent of Schools (SBCSS) is to transform lives through education. Working in collaboration with school districts, other agencies, families and our community partners, we provide leadership, advocacy and services to ensure innovative, inspiring educational practices. This endeavor is essential to the quality of life and economic vitality of our communities.

SBCSS provides the legally required fiscal oversight of all thirty-three K-12 school districts and five community colleges within San Bernardino County. This organization operates mandated juvenile court schools for all students who are wards of the court. SBCSS also provides data processing services for school districts and community colleges in the county as well as various districts and county offices throughout the state through the California Educational Computer Consortium Joint Powers Authority (CECC JPA).

SBCSS is comprised of the Superintendent's direct staff and six major branches, each of which provides direct services to school districts and the community. Programmatic services to students and districts are administered by the Innovation and Engagement, Student Services and Education Support Services branches. The day-to-day administrative functions of the organization are administered by the Business Services, Human Resources, and Technology Services branches.

PROGRAM HIGHLIGHTS

The Business Services Branch provides Assembly Bill (AB) 1200 mandated oversight of thirty-three school districts throughout the county. The branch also processes financial transactions and maintains the County Auditor-Controller-Recorder and Treasurer district databases. Business Support Services performs the procurement and contracting functions for the organization, records retention, and equipment delivery and relocation. Internal Business Services serves as the SBCSS business office with areas of responsibility including accounts payable, accounts receivable, and payroll, in addition to responsibility for budget development and fiscal oversight including all mandated fiscal reporting.

The Student Services Branch operates mandated student programs for the Juvenile Court School, Community School, and Independent Alternative Education programs. The branch also provides special education programs supporting local districts in partnership with three Special Education Local Plan Areas (SELPA) administered by SBCSS. These programs serve an average of over 2,100 students per day. The Student Services Branch also administers the State Preschool Program. This comprehensive program continues to grow and provide safe and nurturing hands-on learning to help each child reach his or her highest potential as the families seek quality pre-kindergarten programs to prepare their children for school.

The Education Support Services (ESS) Branch provides high quality leadership, support and partnerships with the thirty-three school districts within the county as well as through local and regional services such as the Riverside, Inyo, Mono and San Bernardino counties (RIMS) network. ESS provides mandated oversight and approval of district Local Control Accountability Plans (LCAP). Following the Cradle to Career Roadmap, the new California Standards, the need for students accomplished in 21st Century Skills, the critical nature of equity and access to high quality education for all, the need for transformative administrative leadership, and in response to the needs of districts provided through LCAPs and other key district sources, ESS provides services in support of the eight LCAP priority areas.

PROGRAM HIGHLIGHTS (continued)

The Human Resources Branch provides organizational support to staff members and districts throughout the county. Human Resources oversees the credentialing process for all teachers within the thirty-three San Bernardino County school districts. The branch is responsible for training district and county offices in Southern California in use of the EdJOIN system, a statewide system designed to advertise positions available in the K-12 public school system.

The Technology Services Branch provides leadership and support in information and educational technology services to SBCSS users. This includes long-term planning and delivery of services in the areas of educational technology, information systems, software applications, data center operations, telecommunications, network operations, enterprise systems and comprehensive client support services.

The Innovation and Engagement Branch focuses on building collaborative efforts with educators, agencies, government, community-based and faith-based organizations, law enforcement, health, business and labor, elected officials and other organizations to provide personal and academic success opportunities for all students in San Bernardino County – from Cradle to Career.

FINANCIAL HIGHLIGHTS

- The SBCSS's financial status increased overall as a result of this year's operations. Net position of governmental activities increased over the prior year's balance by $21.0 million, or 20.9%.
- Governmental expenses were approximately $573.9 million. Revenues were approximately $594.9 million.
- The SBCSS spent approximately $4.6 million in new capital assets during the year.
- The SBCSS increased its outstanding long-term debt by $95.8 million.
- Governmental funds increased by $21.8 million, or 12.6%.
- Required reserves for the County School Service Fund increased by $0.8 million, or 10.0%. Revenues were $402.0 million, and expenditures were $375.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

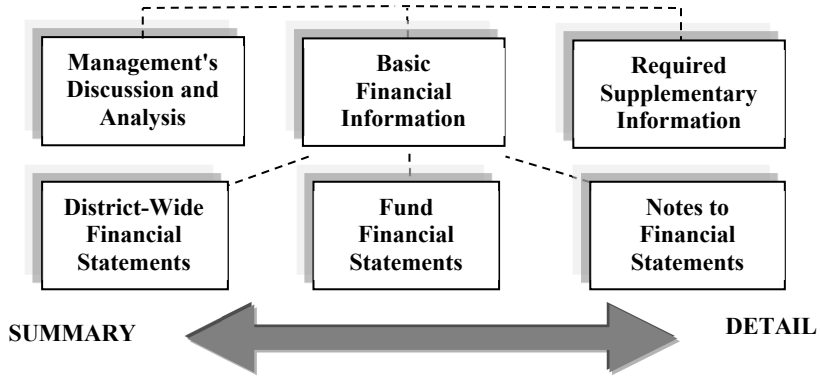
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the SBCSS:

- The first two statements are *County-wide financial* statements that provide both short-term and long-term information about the SBCSS's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the SBCSS, reporting the SBCSS's operations in more detail than the County-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.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of San Bernardino County Superintendent of Schools' Annual Financial Report



The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-Wide Statements
The government-wide statements report information about the SBCSS as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the SBCSS's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two County-wide statements report the SBCSS's net position and how it has changed. Net position – the difference between the SBCSS's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the SBCSS's financial health, or *position*.

- Over time, increases and decreases in the SBCSS's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the SBCSS, you need to consider additional nonfinancial factors such as changes in the SBCSS's demographics and the condition of school buildings and other facilities.

- In the government-wide financial statements, the SBCSS's activities are categorized as *Governmental Activities*. Most of the SBCSS's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the SBCSS's most significant funds – not the SBCSS as a whole. Funds are accounting devices the SBCSS 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 SBCSS establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The SBCSS has one kind of fund:

1) ***Governmental funds*** – All of the SBCSS's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that 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 SBCSS's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SUPERINTENDENT AS A WHOLE

Net Position. The SBCSS's combined net position was higher on June 30, 2023, than it was the year before – increasing 20.9% to $121.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2023	2022*	
Assets			
Current assets	$ 331,503,469	$ 290,096,539	$ 41,406,930
Capital assets	145,713,475	146,971,989	(1,258,514)
Total assets	477,216,944	437,068,528	40,148,416
Deferred outflows of resources	126,636,187	66,084,895	60,551,292
Liabilities			
Current liabilities	135,958,568	116,375,834	19,582,734
Long-term liabilities	283,644,363	187,834,535	95,809,828
Total liabilities	419,602,931	304,210,369	115,392,562
Deferred inflows of resources	62,844,349	98,496,479	(35,652,130)
Net position			
Net investment in capital assets	145,713,475	146,225,649	(512,174)
Restricted	119,839,566	98,042,123	21,797,443
Unrestricted	(144,147,190)	(143,821,197)	(325,993)
Total net position	$ 121,405,851	$ 100,446,575	$ 20,959,276

**As restated*

Changes in net position, governmental activities. The SBCSS's total revenues increased 7.7% to $594.9 million (See Table A-2). The increase is due primarily to increased operating grants and unrestricted aid.

The total cost of all programs and services increased 13.5% to $573.9 million. The SBCSS's expenses are predominantly related to educating and caring for students, 49.2%. The purely administrative activities of the SBCSS accounted for just 9.3% of total costs. A significant contributor to the increase in costs was additional spending on instruction-related services and increased pension expense from revised actuarial estimates.

FINANCIAL ANALYSIS OF THE SUPERINTENDENT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase
	2023	2022	(Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 67,080,758	$ 59,592,762	$ 7,487,996
Operating grants and contributions	420,659,767	406,397,224	14,262,543
Capital grants and contributions	737,103	833	736,270
General Revenues:			
Federal and state aid not restricted	47,998,540	38,610,253	9,388,287
Property taxes	30,330,386	25,731,788	4,598,598
Other general revenues	28,099,144	22,206,188	5,892,956
Total Revenues	594,905,698	552,539,048	42,366,650
Expenses			
Instruction-related	212,694,463	174,617,006	38,077,457
Pupil services	69,438,237	59,871,236	9,567,001
Administration	53,201,162	48,068,924	5,132,238
Plant services	8,364,610	7,869,171	495,439
All other activities	230,247,950	215,475,268	14,772,682
Total Expenses	573,946,422	505,901,605	68,044,817
Increase (decrease) in net position	20,959,276	46,637,443	(25,678,167)
Net Position	$ 121,405,851	$ 100,446,575	$ 20,959,276

FINANCIAL ANALYSIS OF THE SUPERINTENDENT'S FUNDS

The financial performance of the SBCSS as a whole is reflected in its governmental funds as well. As the SBCSS completed this year, its governmental funds reported a combined fund balance of $195.5 million, which is above last year's ending fund balance of $173.7 million. The primary cause of the increased fund balance is due to an operating surplus in the County School Services Fund.

Table A-3: The SBCSS's Fund Balances

	Fund Balances				
	7/1/2022*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2023
Fund					
County School Services Fund	$ 134,061,083	$ 401,998,283	$ 375,545,337	$ (9,043,864)	$ 151,470,165
Special Education Pass-Through Fund	8,354,415	181,871,663	190,226,078	-	-
Child Development Fund	3,533,320	14,832,980	14,646,861	17,067	3,736,506
Deferred Maintenance Fund	9,909,991	2,991,922	2,372,164	-	10,529,749
Forest Reserve Fund	352,780	370,236	306,519	(51,151)	365,346
Special Reserve Fund (Postemployment Benefits)	13,373,893	227,942	-	3,500,000	17,101,835
County School Facilities Fund	139,630	737,104	-	(876,710)	24
Special Reserve Fund (Capital Outlay)	3,995,593	(31,027)	-	8,376,710	12,341,276
	$ 173,720,705	$ 602,999,103	$ 583,096,959	$ 1,922,052	$ 195,544,901

**As restated*

FINANCIAL ANALYSIS OF THE SUPERINTENDENT'S FUNDS (continued)

County School Service Fund Budgetary Highlights

Over the course of the year, the SBCSS revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by $33.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits – increased $20.8 million due to revised FTE and salary estimates.
- Other non-personnel expenses – increased $24.2 million to re-budget carryover funds and revise operational cost estimates.

While the SBCSS's final budget for the County School Service Fund anticipated that expenditures would exceed revenues by about $4.8 million, the actual results for the year show that revenues exceeded expenditures by roughly $26.5 million. Actual revenues were $10.1 million more than anticipated, and expenditures were $21.2 million less than budgeted. The difference consists primarily of restricted program and capital outlay dollars that were not spent as of June 30, 2023, that will be carried over into the 2023-24 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022-23 the SBCSS had acquired $4.6 million in new capital assets, related to construction in progress, site improvements, buildings, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was $7.7 million. SBCSS acquired $3.0 million in new leased and subscription assets. Amortization for leased and subscription assets was $1.2 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase
	2023	2022*	(Decrease)
Land	$ 21,535,184	$ 21,535,184	$ -
Improvement of sites	5,108,727	5,270,285	(161,558)
Buildings	109,044,901	111,784,968	(2,740,067)
Equipment	4,669,578	5,500,173	(830,595)
Construction in progress	1,260,882	649,379	611,503
Leased assets	2,597,012	1,301,925	1,295,087
Subscription assets	1,497,191	930,075	567,116
Total	$ 145,713,475	$ 146,971,989	$ (1,258,514)

**As restated*

Long-Term Debt

At year-end the SBCSS had $283.6 million in long term debt – an increase of 51.0% from last year – as shown in Table A-5. (More detailed information about the SBCSS's long-term liabilities is presented in Notes 7-9 to the financial statements).

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase
	2023	2022*	(Decrease)
Compensated absences	$ 4,054,805	$ 3,132,643	$ 922,162
Other postemployment benefits	23,410,358	24,416,033	(1,005,675)
Lease liability	2,598,678	1,303,225	1,295,453
Subscription liability	495,601	746,340	(250,739)
Net Pension Liability	253,084,921	158,236,294	94,848,627
Total	$ 283,644,363	$ 187,834,535	$ 95,809,828

** As restated*

FACTORS BEARING ON THE SUPERINTENDENT'S FUTURE

State Budget
The Legislature passed an initial budget package on June 15, 2023. The Legislature's budget package adopted LAO estimates of local property tax revenues, which resulted in an increase to the Proposition 98 guarantee by $2.1 billion across 2022-23 and 2023-24. The legislative package used this additional funding primarily to help maintain previously approved programs. Relative to the May Revision, the Legislature's budget package also: (1) reallocated projected unspent funds in child care and State Preschool programs to increase provider rates and reduce family fees beginning October 1, 2023; (2) included a slightly different mix of reductions as the Governor from climate change-related packages (although a similar overall level); (3) restored $1 billion in 2023-24 in proposed General Fund reductions to transit capital funding and added flexibility to allow local agencies to use this funding for operations; (4) rejected the Governor's proposals to use General Fund cash to pay for certain capital outlay project costs, instead using lease revenue bond financing to pay for these costs; and (5) accelerated the time line to spend funds for MCO tax-related augmentations to around four years from eight to ten years. The Legislature passed an amended budget act and associated trailer bills on June 27, 2023 and June 29, 2023.

K-14 Education
Funds Modest Increase in School and Community College Funding
The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2022-23, the guarantee is down $3 billion (2.7 percent) compared with the estimates made in June 2022. The decrease in the guarantee is primarily attributable to lower General Fund revenue estimates, somewhat offset by higher local property tax revenue. For 2023-24, the guarantee increases by $953 million (0.9 percent) relative to the revised 2022-23 level. For 2023-24, projected increases in property tax revenue offset declines associated with lower General Fund revenue estimates.

Increase in Required Reserve Deposits
In certain circumstances, the Constitution requires the state to deposit some of the available Proposition 98 funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the state deposits a total of $7.5 billion into this account across the 2021-22 through 2023-24 period—an increase of $1.3 billion compared with the estimates made in June 2022. The higher required deposits are primarily due to revenue estimates from the administration that have capital gains accounting for a larger share of General Fund revenue over the period.

FACTORS BEARING ON THE SUPERINTENDENT'S FUTURE (continued)

Provides Large COLA to School and Community College Districts
In addition to the required reserve deposits, the budget package has several ongoing and one-time increases. The largest ongoing augmentation is $4.8 billion to provide an 8.22 percent COLA for K-12 and community college programs. In K-12, the budget also includes $300 million ongoing targeted to low-income schools with relatively high rates of student mobility within the school year, as well as $250 million one time for literacy coaches and reading specialists.

Budget Has Notable K-14 Structural Gap
The 2023-24 Proposition 98 spending level is not sufficient to fully fund all ongoing spending authorized in the budget package. To cover these costs, the budget package uses $1.9 billion in one-time, prior-year funding to fund the primary school and community college funding formulas ($1.6 billion for schools and $290 million for California Community Colleges). Using one-time funds to cover ongoing costs creates a deficit in the Proposition 98 budget the following year.

Funds School Facilities Grants
The 2022-23 budget package provided $1.3 billion one-time non-Proposition 98 General Fund to cover the state share for new construction and modernization projects under the School Facility Program (SFP). The 2022-23 budget package also included intent language to provide an additional $2.1 billion in 2023-24 and $875 million in 2024-25. The budget provides about $2 billion to the SFP in 2023-24, which is $100 million less than the previously intended augmentation, and continues to assume an additional $875 million will be provided in 2024-25. The budget also delays the intended $550 million non-Proposition 98 General Fund increase to the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program from 2023-24 to 2024-25.

All of these factors were considered in preparing the San Bernardino County Superintendent of Schools' budget for the 2023-24 fiscal year.

CONTACTING THE SBCSS'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the San Bernardino County Superintendent of Schools' finances and to demonstrate the San Bernardino County Superintendent of Schools' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Internal Business Services, 760 East Brier Drive, San Bernardino, CA 92408; (909) 386-9520.

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS
Statement of Net Position
June 30, 2023

	Governmental Activities
ASSETS	
Deposits and investments	$ 216,182,387
Accounts receivable	112,631,420
Inventories	190,898
Prepaid expenses	2,498,764
Capital assets:	
Non-depreciable assets	22,796,066
Depreciable assets	217,958,243
Less accumulated depreciation	(99,135,037)
Lease assets	3,665,439
Less accumulated amortization	(1,068,427)
Subscription assets	2,042,248
Less accumulated amortization	(545,057)
Total assets	477,216,944
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	118,653,835
Deferred outflows related to OPEB	7,982,352
Total deferred outflows of resources	126,636,187
LIABILITIES	
Accounts payable	130,771,168
Unearned revenues	5,187,400
Noncurrent liabilities:	
Due or payable within one year	1,307,887
Due in more than one year:	
Other than OPEB and pensions	5,841,197
Total OPEB liability	23,410,358
Net pension liability	253,084,921
Total liabilities	419,602,931
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	58,410,216
Deferred outflows related to OPEB	4,434,133
Total deferred outflows of resources	62,844,349
NET POSITION	
Net investment in capital assets	145,713,475
Restricted for:	
Capital projects	12,341,300
Categorical programs	107,498,266
Unrestricted	(144,147,190)
Total net position	$ 121,405,851

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Statement of Activities

For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental Activities:					
Instructional Services:					
Instruction	$ 130,919,007	$ 21,367,576	$ 107,834,174	$ 737,103	$ (980,154)
Instruction-Related Services:					
Supervision of instruction	72,087,686	12,743,553	41,836,482	-	(17,507,651)
Instructional library, media and technology	178,050	-	170,939	-	(7,111)
School site administration	9,509,720	469,983	7,176,214	-	(1,863,523)
Pupil Support Services:					
Home-to-school transportation	6,508,584	1,021,064	1,040,671	-	(4,446,849)
Food services	78,206	1,373	20,131	-	(56,702)
All other pupil services	62,851,447	12,128,184	47,921,887	-	(2,801,376)
General Administration Services:					
Data processing services	9,956,594	4,447,282	5,680,572	-	171,260
Other general administration	43,244,568	5,077,209	18,998,093	-	(19,169,266)
Plant Services	8,364,610	276,364	2,045,492	-	(6,042,754)
Ancillary services	860,655	-	71,892	-	(788,763)
Community Services	3,998,746	69,552	4,290,048	-	360,854
Enterprise activities	180,097	86,412	88,071	-	(5,614)
Interest on Long-Term Debt	9,904	-	-	-	(9,904)
Other Outgo	216,307,781	9,392,206	183,485,101	-	(23,430,474)
Depreciation (unallocated)	7,718,745	-	-	-	(7,718,745)
Amortization (unallocated)	1,172,022	-	-	-	(1,172,022)
Total governmental activities	$ 573,946,422	$ 67,080,758	$ 420,659,767	$ 737,103	(85,468,794)
	General Revenues:				
	Property taxes				30,330,386
	Federal and state aid not restricted to specific purpose				47,998,540
	Interest and investment earnings				(1,576,503)
	Interagency revenues				5,834,800
	Miscellaneous				23,840,847
	Total general revenues				106,428,070
	Change in net position				20,959,276
	Net position - July 1, 2022, as originally stated				100,262,840
	Restatement - adjustment for restatement (Note 13)				183,735
	Net position - July 1, 2022, as restated				100,446,575
	Net position - June 30, 2023				$ 121,405,851

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Balance Sheet – Governmental Funds

June 30, 2023

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 200,689,205	$ 863,261	$ 14,629,921	$ 216,182,387
Accounts receivable	49,000,641	58,504,446	5,126,333	112,631,420
Due from other funds	1,387,663	19,674,883	11,258,189	32,320,735
Inventories	190,898	-	-	190,898
Prepaid expenditures	2,498,764	-	-	2,498,764
Total Assets	$ 253,767,171	$ 79,042,590	$ 31,014,443	$ 363,824,204
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 49,074,723	$ 79,042,590	$ 2,653,855	$ 130,771,168
Due to other funds	30,933,048	-	1,387,687	32,320,735
Unearned revenue	5,187,400	-	-	5,187,400
Total Liabilities	85,195,171	79,042,590	4,041,542	168,279,303
Fund Balances				
Nonspendable	2,719,662	-	-	2,719,662
Restricted	103,767,223	-	16,072,343	119,839,566
Committed	-	-	10,529,749	10,529,749
Assigned	53,835,115	-	370,809	54,205,924
Unassigned	8,250,000	-	-	8,250,000
Total Fund Balances	168,572,000	-	26,972,901	195,544,901
Total Liabilities and Fund Balances	$ 253,767,171	$ 79,042,590	$ 31,014,443	$ 363,824,204

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total fund balances - governmental funds			$ 195,544,901
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation as well as leased assets and amortization.			
	Capital assets at historical cost	$ 240,754,309	
	Accumulated depreciation	(99,135,037)	
	Leased assets	3,665,439	
	Accumulated amortization	(1,068,427)	
	Subscription assets	2,042,248	
	Accumulated amortization	(545,057)	
	Net:		145,713,475
In governmental funds, deferred outflows and inflows of resources related to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.			
	Deferred outflows of resources from OPEB		7,982,352
	Deferred inflows of resources from OPEB		(4,434,133)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
	Deferred outflows of resources relating to pensions		118,653,835
	Deferred inflows of resources relating to pensions		(58,410,216)
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
	Compensated absences	4,054,805	
	Lease liability	2,598,678	
	Subscription liability	495,601	
	Other postemployment benefits	23,410,358	
	Net Pension liability	253,084,921	
			(283,644,363)
Total net position - governmental activities			$ 121,405,851

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2023

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 69,843,981	$ -	$ 3,000,000	$ 72,843,981
Federal sources	29,644,957	57,035,567	1,631,290	88,311,814
Other state sources	153,900,182	124,836,096	13,577,153	292,313,431
Other local sources	148,837,105	-	692,772	149,529,877
Total Revenues	402,226,225	181,871,663	18,901,215	602,999,103
EXPENDITURES				
Current:				
Instruction	130,011,163	-	8,932,842	138,944,005
Instruction-related services:				
Supervision of instruction	74,629,815	-	876,905	75,506,720
Instructional library, media and technology	199,712	-	-	199,712
School site administration	10,148,986	-	-	10,148,986
Pupil support services:				
Home-to-school transportation	6,502,304	-	-	6,502,304
Food services	78,206	-	-	78,206
All other pupil services	63,737,070	-	-	63,737,070
Ancillary services	899,832	-	-	899,832
Community services	-	-	4,012,254	4,012,254
Enterprise activities	178,834	-	-	178,834
General administration services:				
Data processing services	11,530,899	-	-	11,530,899
Other general administration	40,374,741	-	-	40,374,741
Plant services	11,296,810	-	(1,804,140)	9,492,670
Transfers of indirect costs	(705,460)	-	705,460	-
Capital outlay	-	-	4,295,704	4,295,704
Intergovernmental transfers	25,775,183	190,226,078	-	216,001,261
All other outgo	-	-	306,519	306,519
Debt service:				
Principal	877,338	-	-	877,338
Interest	9,904	-	-	9,904
Total Expenditures	375,545,337	190,226,078	17,325,544	583,096,959
Excess (Deficiency) of Revenues Over (Under) Expenditures	26,680,888	(8,354,415)	1,575,671	19,902,144
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	780,230	-	8,385,825	9,166,055
Interfund transfers out	(8,246,146)	-	(919,909)	(9,166,055)
Proceeds from leases	1,922,052	-	-	1,922,052
Total Other Financing Sources and Uses	(5,543,864)	-	7,465,916	1,922,052
Net Change in Fund Balances	21,137,024	(8,354,415)	9,041,587	21,824,196
Fund Balances, July 1, 2022, as originally stated	155,789,391	-	17,931,314	173,720,705
Adjustments for Restatement (note 13)	(8,354,415)	8,354,415	-	-
Fund Balances, July 1, 2022, as restated	147,434,976	8,354,415	17,931,314	173,720,705
Fund Balances, June 30, 2023	$ 168,572,000	$ -	$ 26,972,901	$ 195,544,901

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2023

Total net change in fund balances - governmental funds		$	21,824,196
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays and certain lease payments are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. The change in capital outlay expenditures, depreciation, and amortization expense for the period is:			
Expenditures for capital outlay	4,600,065		
Depreciation expense	(7,718,745)		
Expenditures for leased assets	1,922,052		
Expenditures for subscription assets	1,112,173		
Amortization expense	(1,172,022)		(1,256,477)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:			(2,037)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			877,338
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were:			(1,922,052)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual basis OPEB costs and actual employer contributions was:			(2,097,812)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:			4,458,282
In the statement of activities, certain operating expenses such as compensated absences and early retirement incentives, for example, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*).			(922,162)
Change in net position of governmental activities		$	20,959,276

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Bernardino County Superintendent of Schools (the "SBCSS") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the SBCSS conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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 SBCSS consists of all funds, departments, and agencies that are not legally separate from the SBCSS. For the SBCSS, this includes general operations, food service, and student-related activities of the SBCSS.

Component units are legally separate organizations for which the SBCSS is financially accountable. Component units may also include organizations that are fiscally dependent on the SBCSS, in that the SBCSS approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the SBCSS is not financially accountable but the nature and significance of the organization's relationship with the SBCSS is such that exclusion would cause the SBCSS's financial statements to be misleading or incomplete.

The SBCSS has identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

County-Wide Financial Statements
The Statement of Net Position and the Statement of Activities display information about the primary government (the SBCSS). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the SBCSS's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements
The fund financial statements provide information about the SBCSS's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements (continued)
Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The SBCSS maintains the following major governmental funds:

County School Service Fund: This is the chief operating fund for the SBCSS. It is used to account for the ordinary operations of the SBCSS. All transactions except those accounted for in another fund are accounted for in this fund. The SBCSS also maintains a Special Reserve Fund for Postemployment Benefits. The Special Reserve Fund for Postemployment Benefits are not substantially composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the funds is being reported within the County School Service Fund.

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

Non-Major Governmental Funds
The SBCSS maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established 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.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs.

Deferred Maintenance Fund: This fund is used to account for separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Forest Reserve Fund: This fund is used to account for money received for federal forest reserve funds and distributed to participating school districts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds: Capital projects funds are established 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).

County School Facilities Fund: This fund is used primarily to account 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 17070.10 et seq.).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Exceptions to this general rule are payments-in-lieu of taxes and other charges between the SBCSS's proprietary funds and various other functions of the SBCSS. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California Counties and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for Counties as collectible within one year.

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 SBCSS 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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Cash and Cash Equivalents

The SBCSS considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Leases

Lessee:
At the commencement of a lease, the SBCSS initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the SBCSS determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The SBCSS uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the SBCSS generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the SBCSS is reasonably certain to exercise.

The SBCSS monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor:
At the commencement of a lease, the SBCSS 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases (continued)

Key estimates and judgments include how the SBCSS determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The SBCSS uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The SBCSS monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

8. Subscription-Based Information Technology Arrangements

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

The District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

9. 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 SBCSS Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. 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 SBCSS's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

11. Fund Balances

The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The SBCSS's highest decision-making level of authority rests with the SBCSS's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the SBCSS's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. The SBCSS through a formal action has given authority to the Assistant Superintendent, Business Services and Director, Internal Business Services to assign amounts for a specific purpose that is neither restricted nor committed.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the SBCSS for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the SBCSS's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

  When both restricted and unrestricted resources are available for use, it is the SBCSS's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

The SBCSS has adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54. The SBCSS follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the SBCSS considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the SBCSS 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.

G. Property Tax Calendar

The San Bernardino County Assessor-Recorder-Clerk and Auditor-Controller/Treasurer/Tax Collector is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County of San Bernardino. Property taxes are levied as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Governmental funds/activities	$	216,182,387
Total deposits and investments	$	216,182,387

Deposits and investments as of June 30, 2023 consist of the following:

Cash on hand and in banks	$	30,000
Investments		216,152,387
Total deposits and investments	$	216,182,387

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing San Bernardino County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the San Bernardino County Treasurer for the entire portfolio (in relation to the amortized cost of that polio). The balance available for withdrawal is based on the accounting records maintained by the San Bernardino County Treasurer, which is recorded on the amortized basis.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the SBCSS's deposits may not be returned to it. The SBCSS does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Investments - Interest Rate Risk
The SBCSS has fiduciary responsibility for any funds invested outside the County Treasury and is subject to prudent investor standards for investment decisions.

Maturities of investments held at June 30, 2023, consisted of the following:

			Maturity		
	Rating	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:					
County Investment Pool	N/A	$ 216,152,387	$ 216,152,387	$ -	Uncategorized

Investments - Credit Risk
The SBCSS's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2023, all investments represented governmental securities which were issued, registered and held by the SBCSS's agent in the SBCSS's name.

Investments - Concentration of Credit Risk
The SBCSS does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the SBCSS had no investments outside of the County Treasury.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements
The SBCSS categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the SBCSS has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

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

Uncategorized – Investments in the San Bernardino County Treasury Investment Pool are not measured using the input levels above because the SBCSS's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

All assets have been valued using a market approach, with quoted market prices.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:				
Categorical aid programs	$ 6,635,413	$ -	$ 733,555	$ 7,368,968
Special education	3,949,272	55,877,887	-	59,827,159
State Government:				
Lottery	62,812	-	-	62,812
Special education	9,665,270	2,626,559	-	12,291,829
Categorical aid programs	1,484,092	-	3,931,932	5,416,024
Other State	-	-	967	967
Local:				
Other Local	27,203,782	-	459,879	27,663,661
	$ 49,000,641	$ 58,504,446	$ 5,126,333	$ 112,631,420

NOTE 4 – INTERFUND TRANSACTIONS

As described in Note 1(B)(1) and in accordance with GASB Statement No. 54, the Special Reserve Fund for Postemployment Benefits is reported within the County School Service Fund in these financial statements, therefore, all interfund activity between these funds has been removed from the fund financial statements.

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2023, consisted of the following:

	Due from other funds			
	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
County School Service Fund	$ -	$ 19,674,883	$ 11,258,165	$ 30,933,048
Non-Major Governmental Funds	1,387,663	-	24	1,387,687
Totals	$ 1,387,663	$ 19,674,883	$ 11,258,189	$ 32,320,735

County School Service Fund due to Special Education Pass-Through Fund for interest apportionment and passthrough of Special Education apportionment	$ 19,674,883
County School Service Fund due to Child Development Fund for repayment of interest, year-end cleanup of resource balances, STRS and PERS adjustments, and indirect cost	21,085
County School Service Fund due to Deferred Maintenance Fund for reserve for possible upcoming projects	3,000,000
Forest Reserve Fund due to County School Service Fund for interest	6,745
Child Development Fund due to County School Service Fund for indirect costs and postage charges	1,380,918
County School Facilities Fund due to Special Reserve Fund for Capital Outly Projects to close fund	24
County School Service Fund due to Special Reserve Fund for Capital Outly Projects for capital projects	8,237,080
Total	$ 32,320,735

B. Transfers To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2023, consisted of the following:

	Interfund Transfers In		
	County School Service Fund	Non-Major Governmental Funds	Total Governmental Funds
County School Service Fund	$ -	$ 8,246,146	$ 8,246,146
Non-Major Governmental Funds	780,230	139,679	919,909
Totals	$ 780,230	$ 8,385,825	$ 9,166,055

Transfer from County School Facilities Fund to Special Reserve for Capital Outlay to close Facilities Fund	$ 139,655
Transfer from Special Reserve for Capital Outlay to County School Facilities Fund to close the fund	24
Transfer from County School Facilities Fund to County School Service Fund for return of hardship funds	737,080
Transfer from County School Service Fund to Special Reserve Fund for return of hardship funds	737,080
Transfer from County School Service Fund to Special Reserve Fund for Capital Outlay for project costs	7,500,000
Miscellaneous transfers between the County School Services Fund and Non-Major Funds	52,216
Total	$ 9,166,055

NOTE 5 – FUND BALANCES

At June 30, 2023, fund balances of the SBCSS's governmental funds were classified as follows:

	County School Service Fund	Non-Major Governmental Funds	Total
Nonspendable:			
Revolving cash	$ 30,000	$ -	$ 30,000
Inventory	190,898	-	190,898
Prepaid expenditures	2,498,764	-	2,498,764
Total Nonspendable	2,719,662	-	2,719,662
Restricted:			
Categorical programs	103,767,223	-	103,767,223
Child development program	-	3,731,043	3,731,043
Capital projects	-	12,341,300	12,341,300
Total Restricted	103,767,223	16,072,343	119,839,566
Committed:			
Deferred maintenance program	-	10,529,749	10,529,749
Total Committed	-	10,529,749	10,529,749
Assigned:			
Postemployment benefits	17,101,835	-	17,101,835
Other assignments	36,733,280	370,809	37,104,089
Total Assigned	53,835,115	370,809	54,205,924
Unassigned:			
Reserve for economic uncertainties	8,250,000	-	8,250,000
Total Unassigned	8,250,000	-	8,250,000
Total	$ 168,572,000	$ 26,972,901	$ 195,544,901

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance,* July 1, 2022	Additions	Deletions	Balance, June 30, 2023
Capital assets not being depreciated:				
Land	$ 21,535,184	$ -	$ -	$ 21,535,184
Construction in progress	649,379	1,004,881	393,378	1,260,882
Total capital assets not being depreciated	22,184,563	1,004,881	393,378	22,796,066
Capital assets being depreciated:				
Improvement of sites	9,506,608	308,018	-	9,814,626
Buildings	188,394,522	2,556,151	138,943	190,811,730
Equipment	17,089,413	1,124,393	881,919	17,331,887
Total capital assets being depreciated	214,990,543	3,988,562	1,020,862	217,958,243
Accumulated depreciation for:				
Improvement of sites	(4,236,323)	(469,576)	-	(4,705,899)
Buildings	(76,609,554)	(5,296,218)	(138,943)	(81,766,829)
Equipment	(11,589,240)	(1,952,951)	(879,882)	(12,662,309)
Total accumulated depreciation	(92,435,117)	(7,718,745)	(1,018,825)	(99,135,037)
Total capital assets being depreciated, net	122,555,426	(3,730,183)	2,037	118,823,206
Leased Assets:				
Building leases	171,945	1,922,052	-	2,093,997
Equipment leases	1,571,442	-	-	1,571,442
Accumulated amortization for:				
Building leases	(73,691)	(73,691)	-	(147,382)
Equipment leases	(367,771)	(553,274)	-	(921,045)
Total leased assets, net	1,301,925	1,295,087	-	2,597,012
Sunscription Assets:				
IT Subscriptions	930,075	1,112,173	-	2,042,248
Accumulated amortization for:				
IT Subscriptions	-	(545,057)	-	(545,057)
Total subscription assets, net	930,075	567,116	-	1,497,191
Governmental activity capital assets, net	$ 146,971,989	$ (863,099)	$ 395,415	$ 145,713,475

**As restated for implementation of GASB 96*

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS

Changes in long-term debt for the year ended June 30, 2023, were as follows:

	Balance, July 1, 2022*	Additions	Deductions	Balance, June 30, 2023	Amount Due Within One Year
Compensated absences	$ 3,132,643	$ 922,162	$ -	$ 4,054,805	$ -
Subscription liability	746,340	-	250,739	495,601	244,862
Lease liability	1,303,225	1,922,052	626,599	2,598,678	1,063,025
Total	$ 5,182,208	$ 2,844,214	$ 877,338	$ 7,149,084	$ 1,307,887

**As restated for implementation of GASB 96*

Liabilities are liquidated by the County School Service Fund for governmental activities, including compensated absences, leases, and subscription liabilities.

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

A. Leases

SBCSS is involved in several leases for both equipment and facilities. The initial terms for these leases range from 36 to 63 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. Other key assumptions and policies can be found in Note 1.E.. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest
2023-2024	$ 1,063,025	$ 187,957
2024-2025	953,973	158,214
2025-2026	319,787	102,242
2026-2027	136,403	56,591
2027-2028	125,490	17,498
Totals	$ 2,598,678	$ 522,502

B. Subscription Based IT Arrangements

The District is involved in several arrangements for subscription based software. The initial terms for these subscriptions range from 24 to 60 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the subscription payments to the net present value. Other key assumptions and policies can be found in Note 1.E. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest
2023-2024	$ 244,862	$ 5,877
2024-2025	250,739	-
Totals	$ 495,601	$ 5,877

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2023, the SBCSS reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
SBCSS Plan	$ 22,921,636	$ 7,982,352	$ 4,434,133	$ 2,835,175
MPP Program	488,722	-	-	(121,391)
Total	$ 23,410,358	$ 7,982,352	$ 4,434,133	$ 2,713,784

The details of each plan are as follows:

The SBCSS Plan

Plan Description
The SBCSS's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the SBCSS. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided
The Plan provides medical benefits to all full-time and part-time Certificated, Classified, and management employees who have reached age 55 and retire with at least 10 years of service. The duration of the benefits is attaining age 65 or eligibility for Medicare, whichever comes first. Under individual agreements with two retired management employees, the SBCSS covers 50% of the cost of medical, dental, vision, and life insurance for the employee and 25% of the cost of medical insurance only for the spouse. The SBCSS also covers 100% of the cost of medical, dental, vision, and life insurance for two retired board members.

Employees covered by benefit terms
At the June 30, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	72
Active employees	1,740
Total	1,812

Net OPEB Liability
The SBCSS's total OPEB liability of $22,921,636 for the Plan was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

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

Valuation Date	June 30, 2021
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent per year

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Discount Rate
The discount rate used to measure the OPEB liability was 3.54%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the expected benefit payments. Because the OPEB plan is unfunded, the discount rate reflects the required use of the Bond Buyer 20-bond Index.

Mortality Rates
Mortality rates were based on the following:

- Certificated: 2020 CalSTRS Mortality Table, created by the California State Teacher's Retirement System (CalSTRS)
- Classified: 2017 CalPERS Active Mortality for Miscellaneous and Schools Employees, created by the California Public Employees' Retirement System (CalPERS)

Changes in the Net OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	$ 23,805,920
Changes for the year:	
Service cost	1,991,379
Interest	528,241
Differences between expected and actual experience	(8,167)
Changes of assumptions	(2,711,922)
Benefit payments	(683,815)
Net changes	(884,284)
Balance at June 30, 2022	$ 22,921,636

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability of the SBCSS, as well as what the SBCSS's net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	OPEB Liability
1% decrease	$ 24,937,465
Current discount rate	$ 22,921,636
1% increase	$ 21,507,567

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the net OPEB liability of the SBCSS, as well as what the SBCSS's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	$ 20,086,961
Current trend rate	$ 22,921,636
1% increase	$ 26,164,197

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

The SBCSS Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, the SBCSS recognized OPEB expense of $2,835,175. In addition, at June 30, 2023, the SBCSS 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
SBCSS contributions subsequent to the measurement date of the net OPEB liability	$ 615,972	$ -
Differences between expected and actual experience	1,953,096	1,555,400
Changes of assumptions	5,413,284	2,878,733
Total	$ 7,982,352	$ 4,434,133

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 685,505	$ 369,950
2025	685,505	369,950
2026	685,505	369,950
2027	685,505	369,950
2028	685,505	369,950
Thereafter	3,938,855	2,584,383
Totals	$ 7,366,380	$ 4,434,133

Medicare Premium Payment (MPP) Program

Plan Description
The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit 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, 2021 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2022, 4,770 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 22950, 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.

Total OPEB Liability
At June 30, 2023, the SBCSS reported a liability of $488,722 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2022, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The SBCSS's proportion of the net OPEB liability was based on a projection of the SBCSS's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The SBCSS's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net OPEB Liability	0.148362%	0.152963%	(0.004600%)

For the year ended June 30, 2023, the SBCSS reported OPEB expense of $(121,391).

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population of 145,282.

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.

Discount Rate
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, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2022, was 3.54%, which is an increase of 1.38% from 2.16% as of June 30, 2021.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the SBCSS's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following presents the SBCSS's proportionate share of the net OPEB liability, as well as what the SBCSS's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

Discount Rate	MPP OPEB Liability
1% decrease	$ 652,287
Current discount rate	$ 488,722
1% increase	$ 450,556

Sensitivity of the SBCSS's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates
The following presents the SBCSS's proportionate share of the net OPEB liability, as well as what the SBCSS's proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	$ 448,421
Current trend rate	$ 488,722
1% increase	$ 534,406

NOTE 9 – PENSION PLANS

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

For the fiscal year ended June 30, 2023, the SBCSS reported 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	$ 68,690,924	$ 21,536,132	$ 12,036,416	$ 4,106,611
CalPERS	184,393,997	97,117,703	46,373,800	25,039,230
Total	$ 253,084,921	$ 118,653,835	$ 58,410,216	$ 29,145,841

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The SBCSS 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, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: https://www.calstrs.com/general-information/gasb-6768.

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 a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. 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 and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP. The SBCSS 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, 2023, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

NOTE 9 – PENSION PLANS (continued)

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

Contributions
The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively —provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

The contribution rates for each program for the year ended June 30, 2023, are presented above, and the SBCSS's total contributions were $12,285,806.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2023, the SBCSS reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the SBCSS. The amount recognized by the SBCSS 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 SBCSS were as follows:

SBCSS's proportionate share of net pension liability	$	68,690,924
State's proportionate share of the net pension liability associated with the County		34,400,146
Total	$	103,091,070

The net pension liability was measured as of June 30, 2022. The SBCSS's proportion of the net pension liability was based on a projection of the SBCSS'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 SBCSS's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.098856%	0.101761%	-0.002905%

NOTE 9 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2023, the SBCSS recognized pension expense of $4,106,611. In addition, the SBCSS recognized pension expense and revenue of $(2,572,881) for support provided by the State. At June 30, 2023, the SBCSS 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	$ 12,285,806	$ -
Net change in proportionate share of net pension liability	5,787,409	3,526,911
Difference between projected and actual earnings on pension plan investments	-	3,359,119
Changes of assumptions	3,406,570	-
Differences between expected and actual experience	56,347	5,150,386
Total	$ 21,536,132	$ 12,036,416

The deferred outflows of resources related to pensions resulting from SBCSS 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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 7 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 4,362,341	$ 4,732,402
2025	1,537,043	4,255,988
2026	1,209,512	5,580,655
2027	1,096,539	(4,494,725)
2028	951,221	1,054,233
Thereafter	93,670	907,863
Total	$ 9,250,326	$ 12,036,416

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions
The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll 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 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.

The long-term investment rate of return assumption 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 investment staff and investment consultants as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study.

For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42.0%	4.8%
Real Estate	15.0%	3.6%
Private Equity	13.0%	6.3%
Fixed Income	12.0%	1.3%
Risk Mitigating Strategies	10.0%	1.8%
Inflation Sensitive	6.0%	3.3%
Cash/Liquidity	2.0%	(0.4%)

NOTE 9 – PENSION PLANS (continued)

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

Discount Rate
The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. 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 expenses occur midyear. Based on those 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 the total pension liability.

The following presents the SBCSS'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%)	$	116,662,665
Current discount rate (7.10%)		68,690,924
1% increase (8.10%)		28,859,955

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the SBCSS. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately $2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the SBCSS for its proportionate share of the State's on-behalf contributions is $5,518,485.

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb.

NOTE 9 – PENSION PLANS (continued)

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

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, 2023, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	25.37%	25.37%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023 are presented above, and the total SBCSS contributions were $23,891,185.

NOTE 9 – PENSION PLANS (continued)

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

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

As of June 30, 2023, the SBCSS reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $184,393,997. The net pension liability was measured as of June 30, 2022. The SBCSS's proportion of the net pension liability was based on a projection of the SBCSS's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The SBCSS's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.535888%	0.550431%	-0.014544%

For the year ended June 30, 2023, the SBCSS recognized pension expense of $25,039,230. At June 30, 2023, the SBCSS 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	$ 23,891,185	$ -
Net change in proportionate share of net pension liability	2,088,533	6,893,544
Difference between projected and actual earnings on pension plan investments	56,664,213	34,892,297
Changes of assumptions	13,640,420	-
Differences between expected and actual experience	833,352	4,587,959
Total	$ 97,117,703	$ 46,373,800

The deferred outflows of resources related to pensions resulting from SBCSS 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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 3.9 years.

NOTE 9 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	$ 21,733,975	$ 15,255,934
2025	20,608,362	15,217,240
2026	17,608,434	14,975,011
2027	13,275,747	925,615
2028	-	-
Thereafter	-	-
Total	$ 73,226,518	$ 46,373,800

Actuarial Methods and Assumptions
Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term.

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

Discount Rate
The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the SBCSS'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 (5.9%)	$ 266,366,466
Current discount rate (6.9%)	184,393,997
1% increase (7.9%)	116,646,765

C. Accumulated Program for Part-Time and Limited-Service Employees (APPLE)
As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The SBCSS has elected to use the Accumulated Program for Part-Time and Limited-Service Employees (APPLE) as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2023, the SBCSS reported payables of $551,530 and $15,552 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2023.

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NOTE 10 – JOINT VENTURES

The San Bernardino County Superintendent of Schools participates in four joint powers agreement (JPA) entities: California Education Computer Consortium (CECC), Southern California Schools Risk Management (SCSRM), Southern California Schools Employee Benefits Association (SCSEBA), and is a member of Schools Excess Liability Fund (SELF).

Each JPA is governed by a board consisting of representatives from each member district. Each governing board controls the operations of its JPA independent of any influence by the San Bernardino County Superintendent of Schools beyond the SBCSS's representation as a member district on the governing boards.

Each JPA is independently accountable for its fiscal matters. CECC develops and maintains an integrated financial/human resources/payroll software package serving members within California including the SBCSS. Each member pays fees to cover the costs of staffing and other expenses associated with administration of the JPA. SCSRM arranges for and provides workers' compensation coverage, general liability, and property coverage for all members, including the SBCSS through June 30, 2023. SCSEBA arranges for and provides health, dental, vision, and life insurance for all members, including the SBCSS. SELF arranges for and provides excess liability and workers' compensation coverage for all members, including the SBCSS for excess liability coverage. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in any of the four JPAs.

The relationship between the San Bernardino County Superintendent of Schools and the JPAs is such that none of the JPAs are a component unit of the SBCSS for financial reporting purposes.

Audited financial information can be obtained from the JPAs.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The SBCSS has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

B. Construction Commitments

As of June 30, 2023, the SBCSS had commitments with respect to unfinished capital projects of approximately $8.6 million to be paid from available construction funds.

C. Litigation

The SBCSS is involved in certain legal matters that arose out of the normal course of business. The SBCSS has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30.

NOTE 12 – RISK MANAGEMENT

Property and Liability
The SBCSS and the County Board of Education (CBOE) are exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2023, the SBCSS and CBOE participated in the CSRM JPA for primary insurance coverage attached higher limits with PRISM JPA for excess property and SELF JPA for excess 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 2022-23, the Superintendent was insured for workers' compensation through CSRM JPA. The SBCSS, along with all other JPA members, pay an experience based rate. CSRM is self-insured for the first $500,000 of claims with an excess coverage layer up to the statutory limits insured with PRISM JPA.

Employee Medical Benefits
The Superintendent has contracted through SCSEBA to provide employee health insurance through Kaiser Permanente and Blue Shield, as well as dental, vision and life insurance.

NOTE 13 – ADJUSTMENTS FOR RESTATEMENT

The beginning balance on the Statement of Activities was restated by $183,735 for the implementation of GASB 96. The beginning balance on the Statement of Revenues, Expenditures, and Changes in Fund Balance shows a restatement of $8,354,415 in both the County School Service Fund and the Special Education Pass-Through Fund related to prior year revenue. The County-wide beginning balance on this statement was not impacted by this restatement.

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Required Supplementary Information

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SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Budgetary Comparison Schedule – County School Service Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF Sources	$ 59,347,031	$ 70,943,115	$ 69,843,981	$ (1,099,134)
Federal Sources	33,544,338	35,271,111	29,644,957	(5,626,154)
Other State Sources	131,080,995	149,726,867	153,900,182	4,173,315
Other Local Sources	134,815,214	135,958,539	148,609,163	12,650,624
Total Revenues	358,787,578	391,899,632	401,998,283	10,098,651
Expenditures				
Current:				
Certificated Salaries	59,271,378	64,363,870	64,530,238	(166,368)
Classified Salaries	89,977,877	98,851,873	95,079,844	3,772,029
Employee Benefits	73,074,723	79,928,808	78,069,134	1,859,674
Books and Supplies	9,947,277	11,839,425	6,582,908	5,256,517
Services and Other Operating Expenditures	99,793,854	112,132,512	103,574,175	8,558,337
Capital Outlay	2,317,949	8,649,015	2,639,312	6,009,703
Other Outgo	17,305,259	20,946,067	25,069,726	(4,123,659)
Total Expenditures	351,688,317	396,711,570	375,545,337	21,166,233
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,099,261	(4,811,938)	26,452,946	31,264,884
Other Financing Sources and Uses				
Interfund Transfer In	40,081	40,081	780,230	740,149
Interfund Transfers Out	-	(18,139)	(11,746,146)	(11,728,007)
Proceeds from leases	-	-	1,922,052	1,922,052
Total Other Financing Sources and Uses	40,081	21,942	(9,043,864)	(9,065,806)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,139,342	(4,789,996)	17,409,082	22,199,078
Fund Balances, July 1, 2022, as originally stated	105,343,331	142,415,498	142,415,498	-
Adjustments for Restatement (note 13)	-	-	(8,354,415)	(8,354,415)
Fund Balances, July 1, 2022, as restated	105,343,331	142,415,498	134,061,083	(8,354,415)
Fund Balances, June 30, 2023	$ 217,826,004	$ 280,041,000	151,470,165	$ 5,490,248
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Postemployment Benefits			17,101,835	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			$ 168,572,000	

See accompanying notes to required supplementary information.

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Budgetary Comparison Schedule – Special Education Pass-Through Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
Federal Sources	$ 52,888,507	$ 54,937,583	$ 57,035,567	$ 2,097,984
Other State Sources	118,607,625	130,515,145	124,836,096	(5,679,049)
Total Revenues	171,496,132	185,452,728	181,871,663	(3,581,065)
Expenditures				
Intergovernmental Transfers	171,496,132	185,452,728	190,226,078	(4,773,350)
Total Expenditures	171,496,132	185,452,728	190,226,078	(4,773,350)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(8,354,415)	(8,354,415)
Fund Balances, July 1, 2022, as originally stated	-	8,354,415	-	-
Adjustments for Restatement (note 13)	-	-	8,354,415	8,354,415
Fund Balances, July 1, 2022, as restated	-	-	8,354,415	8,354,415
Fund Balances, June 30, 2023	$ -	$ 8,354,415	$ -	$ -

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS

For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2021-22	2020-21	2020-19	2018-19	2017-18
SBCSS's proportion of the net pension liability	0.0989%	0.1018%	0.1011%	0.0940%	0.0950%
SBCSS's proportionate share of the net pension liability	$ 68,690,924	$ 46,309,243	$ 97,963,479	$ 84,897,040	$ 87,311,650
State's proportionate share of the net pension liability associated with the SBCSS	34,400,146	23,301,015	50,500,185	46,317,377	49,990,248
Totals	$ 103,091,070	$ 69,610,258	$ 148,463,664	$ 131,214,417	$ 137,301,898
SBCSS's covered-employee payroll	$ 59,350,190	$ 56,241,118	$ 55,085,257	$ 52,000,000	$ 50,000,000
SBCSS's proportionate share of the net pension liability as a percentage of its covered-employee payroll	115.74%	82.34%	177.84%	163.00%	175.00%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%

	2016-17	2015-16	2014-15	2013-14
SBCSS's proportion of the net pension liability	0.0940%	0.0910%	0.0980%	0.0860%
SBCSS's proportionate share of the net pension liability	$ 86,931,200	$ 73,601,710	$ 65,977,520	$ 50,255,820
State's proportionate share of the net pension liability associated with the SBCSS	51,428,182	41,906,309	34,894,741	30,346,939
Totals	$ 138,359,382	$ 115,508,019	$ 100,872,261	$ 80,602,759
SBCSS's covered-employee payroll	$ 50,000,000	$ 47,000,000	$ 42,000,000	$ 43,000,000
SBCSS's proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.00%	157.00%	157.00%	117.00%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

See accompanying notes to required supplementary information.

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS
Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2021-22	2020-21	2020-19	2018-19	2017-18
SBCSS's proportion of the net pension liability	0.5359%	0.5504%	0.5637%	0.5480%	0.5488%
SBCSS's proportionate share of the net pension liability	$ 184,393,997	$ 111,927,051	$ 172,972,003	$ 159,710,497	$ 146,327,357
SBCSS's covered-employee payroll	$ 81,887,276	$ 81,557,333	$ 81,900,000	$ 77,000,000	$ 73,000,000
SBCSS's proportionate share of the net pension liability as a percentage of its covered-employee payroll	225.18%	137.24%	211.07%	207.00%	200.00%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%

	2016-17	2015-16	2014-15	2013-14
SBCSS's proportion of the net pension liability	0.5208%	0.5119%	0.5142%	0.5195%
SBCSS's proportionate share of the net pension liability	$ 124,328,705	$ 101,100,567	$ 75,793,588	$ 58,975,899
SBCSS's covered-employee payroll	$ 68,000,000	$ 62,000,000	$ 54,000,000	$ 53,000,000
SBCSS's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.00%	163.00%	140.00%	111.00%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

See accompanying notes to required supplementary information.

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Schedule of Pension Contributions-CalSTRS

For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2022-23	2021-22	2020-21	2019-20	2018-19
Contractually required contribution	$ 12,285,806	$ 10,042,052	$ 9,082,941	$ 9,419,579	$ 8,489,826
Contributions in relation to the contractually required contribution	12,285,806	10,042,052	9,082,941	9,419,579	8,489,826
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -
SBCSS's covered-employee payroll	$ 64,323,590	$ 59,350,190	$ 56,241,118	$ 55,085,257	$ 52,000,000
Contributions as a percentage of covered-employee payroll	19.10%	16.92%	16.15%	17.10%	16.28%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 7,280,701	$ 6,232,500	$ 5,046,700	$ 3,736,883
Contributions in relation to the contractually required contribution	7,280,701	6,232,500	5,046,700	3,736,883
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
SBCSS's covered-employee payroll	$ 50,000,000	$ 50,000,000	$ 47,000,000	$ 42,000,000
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2023

*Last Ten Fiscal Years**

	2022-23	2021-22	2020-21	2019-20	2018-19
Contractually required contribution	$ 23,891,185	$ 18,760,375	$ 16,882,368	$ 16,161,664	$ 13,874,370
Contributions in relation to the contractually required contribution	23,891,185	18,760,375	16,882,368	16,161,664	13,874,370
SBCSS's covered-employee payroll	$ 94,171,009	$ 81,887,276	$ 81,557,333	$ 81,900,000	$ 77,000,000
Contributions as a percentage of covered-employee payroll	25.370%	22.910%	20.700%	19.720%	18.060%

	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	$ 11,312,169	$ 9,506,487	$ 7,439,089	$ 6,406,631
Contributions in relation to the contractually required contribution	11,312,169	9,506,487	7,439,089	6,406,631
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
SBCSS's covered-employee payroll	$ 73,000,000	$ 68,000,000	$ 62,000,000	$ 54,000,000
Contributions as a percentage of covered-employee payroll	15.530%	13.890%	11.850%	11.770%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Schedule of Changes in the SBCSS's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

Employer Fiscal Year Measurement Period	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
Total OPEB liability						
Service cost	$ 1,991,379	$ 1,977,122	$ 1,572,720	$ 1,049,269	$ 1,068,122	$ 1,039,535
Interest	528,241	461,591	593,666	477,982	452,676	384,495
Differences between expected and actual experience	(8,167)	2,249,020	-	(2,179,515)	-	-
Changes of assumptions or other inputs	(2,711,922)	(180,285)	2,006,156	5,411,926	(294,659)	-
Benefit payments	(683,815)	(694,392)	(710,416)	(565,525)	(535,981)	(515,366)
Net change in total OPEB liability	(884,284)	3,813,056	3,462,126	4,194,137	690,158	908,664
Total OPEB liability - beginning	23,805,920	19,992,864	16,530,738	12,336,601	11,646,443	10,737,779
Total OPEB liability - ending	$ 22,921,636	$ 23,805,920	$ 19,992,864	$ 16,530,738	$ 12,336,601	$ 11,646,443
Covered payroll	$ 148,552,165	$ 144,576,317	$ 140,706,878	$ 136,941,000	$ 121,386,000	$ 107,409,000
Total OPEB liability as a percentage of covered-employee payroll	15.43%	16.47%	14.21%	12.07%	10.16%	10.84%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Schedule of the SBCSS's Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

Employer Fiscal Year Measurement Period	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
SBCSS's proportion of net OPEB liability	0.1484%	0.1530%	0.1532%	N/A	N/A	N/A
SBCSS's proportionate share of net OPEB liability	$ 488,722	$ 610,113	$ 649,234	N/A	N/A	N/A
SBCSS's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule
The SBCSS 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 adoptions 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.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the SBCSS's Proportionate Share of the Net Pension Liability
This schedule presents information on the SBCSS'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 SBCSS. In the future, as data becomes available, ten years of information will be presented.

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

Change of assumptions **-** There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

Schedule of County Contributions
This schedule presents information on the SBCSS'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.

Schedule of Changes in the SBCSS's Total OPEB Liability and Related Ratios
This schedule presents information on the SBCSS's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 2.16 percent to 3.54 percent since the previous valuation.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the SBCSS's Proportionate Share of the Net OPEB Liability – MPP Program
This schedule presents information on the SBCSS'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. 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.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The discount rate was changed from 2.16 percent to 3.54 percent since the previous valuation.

Supplementary Information

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SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Local Educational Agency Organization Structure
June 30, 2023

The San Bernardino County Superintendent of Schools provides educational services to school districts, school personnel, and other educational and private agencies within San Bernardino County through the County School Service Fund. In addition, the organization operates various programs including, but not limited to Special Education, Alternative Education, State Preschool, Special Education Workability, and Regional Occupational Programs. The SBCSS provides educational leadership to the school districts in San Bernardino County, as well as having direct control over schools and facilities for various special education programs, juvenile court schools, community schools and a regional occupational program. The SBCSS is also the administrative unit for the West End, East Valley, and Desert Mountain Special Education Local Plans.

SAN BERNARDINO COUNTY BOARD OF EDUCATION
As of June 30, 2023

Member	Office	Term Expires
Andrea De Leon	President	November 2024
Laura Abernathy Mancha	Vice President	November 2024
Dr. Gwendolyn Dowdy-Rodgers	Trustee	November 2026
Ryan McEachron	Trustee	November 2026
Rita Fernandez-Loof	Trustee	November 2026

ADMINISTRATION

Ted Alejandre,
Superintendent

Richard De Nava,
Chief Business Officer

Myrlene Pierre,
Assistant Superintendent, Student Services

William Roberts,
Assistant Superintendent, Human Resources

Tracy Chambers,
Assistant Superintendent, Education Support Services

Stephanie Houston, Ed.D.,
Assistant Superintendent, Innovation and Engagement

David Thurston,
Chief Technology Officer

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Schedule of Average Daily Attendance

For the Fiscal Year Ended June 30, 2023

	Second Period	Annual
Juvenile Court Schools ADA		
Juvenile Halls, Homes and Camps		
Elementary	5.28	5.75
High School	134.30	139.37
County Funded Non-Juvenile Court Schools ADA		
Probation Referred, On Probation or Parole, Expelled Pursuant to EC 48915(a) or (c)		
Elementary	56.74	72.26
High School	303.24	324.02
Sub-Totals	359.98	396.28
Total ADA	499.56	541.40
Adults in Correctional Facilities	176.36	185.61

	Second Period	Annual
District Funded County Programs		
County Community Schools		
Grades TK-3	4.27	3.30
Grades 4-6	2.48	1.92
Gades 7-8	4.28	3.31
Sub-Totals	11.03	8.53
Special Education - Special Day Class		
Grades TK-3	443.75	454.70
Grades 4-6	233.81	236.37
Gades 7-8	132.92	134.71
Grades 9-12	401.65	402.62
Sub-Totals	1,212.13	1,228.40
Extended Year Special Education		
Grades TK-3	15.92	24.53
Grades 4-6	7.61	10.74
Gades 7-8	3.29	5.53
Grades 9-12	12.83	23.83
Sub-Totals	39.65	64.63
County and School Tuition Fund		
Grades 4-6	0.88	0.89
Grades 9-12	28.98	28.32
Sub-Totals	29.86	29.21
Total ADA	1,292.67	1,330.77
SELPA ADA Allocation		
Desert/Mountian	935.99	969.42
East Valley	394.60	417.81
West End	461.64	471.82
	1,792.23	1,859.05

See accompanying note to supplementary information.

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2023

County School Service Fund	(Budget) 2024 [2]	2023 [3,4]	2022	2021
Revenues and other financing sources	$ 410,421,479	$ 404,700,565	$ 364,385,672	$ 345,960,375
Expenditures	414,475,518	375,545,337	325,801,505	331,142,641
Other uses and transfers out	26,482	11,746,146	1,512,000	1,935,000
Total outgo	414,502,000	387,291,483	327,313,505	333,077,641
Change in fund balance (deficit)	(4,080,521)	17,409,082	37,072,167	12,882,734
Ending fund balance	$ 147,389,644	$ 151,470,165	$ 142,415,498	$ 105,343,331
Available reserves [1]	$ 8,250,000	$ 8,250,000	$ 7,500,000	$ 6,559,502
Available reserves as a percentage of total outgo	2.0%	2.1%	2.3%	2.0%
Total long-term debt	$ 282,336,476	$ 283,644,363	$ 187,088,195	$ 295,437,767
Average daily attendance at P-2	2,014	1,969	1,901	N/A

The County School Service Fund balance has increased by $46.1 million over the past two years. The fiscal year 2023-24 budget projects a decrease of $4.1 million. For a county of this size, the state recommends available reserves of at least the greater of 2% of total County School Service Fund expenditures, transfers out, and other uses (total outgo).

The SBCSS has incurred operating surpluses in all of the past three years, but anticipates an operating deficit during the upcoming fiscal year. Long-term debt has decreased by $11.8 million over the past two years.

Average daily attendance increased by 68 ADA compared to 2021-22.
Budgeted ADA for 2023-24 is 2,014.

[1] Available reserves consist of all unassigned fund balances in the County School Service Fund.

[2] As of September, 2023.

[3] The actual amounts reported in this schedule are for the County School Service Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

[4] As restated

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2023

	County School Service Fund	Deferred Maintenance Fund	Special Reserve Fund for Capital Outlay Projects
June 30, 2023, annual financial and budget report fund balance	$ 155,360,203	$ 10,690,132	$ 12,426,626
Adjustments and reclassifications:			
Fair market adjustment to cash	(3,890,038)	(160,383)	(85,351)
June 30, 2023, audited financial statement fund balance	$ 151,470,165	$ 10,529,749	$ 12,341,275

See accompanying note to supplementary information.

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2023

Charter School	Charter Number	Included in Audit?
Desert Trails Preparatory Academy	1522	No
Norton Science and Language Academy	0903	No
Sycamore Academy of Science and Cultural Arts - Chino Valley	2036	No
Excelsior Charter	1910	No
Entrepreneur High School Fontana	2095	No

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Forest Reserve	10.665	N/A		$ 370,236
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program: Nutrition Education and Obesity Prevention	10.561	N/A		697,165
U.S. Department of Labor:				
Passed through California Dept. of Education (CDE):				
Workforce Innovation and Opportunity Act from Other Agencies	17.259	10055		864,329
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,661,461	
Title I, Part D, Local Delinquent Programs	84.010	14357	1,451,913	
School Improvement Funding for LEAs	84.010	15438	872,219	
School Improvement Funding for COEs	84.010	15439	1,405,314	
Total Title I Grants				6,390,907
Title II, Part A, Supporting Effective Instruction State Grant	84.367	14341		69,789
Title II, Comprehensive Literacy State Development (CLSD) Grant	84.371	15493		1,629,273
Title III, English Learner Student Program	84.365	14346		8,220
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		198,318
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		208,027
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332		266,380
Carl D. Perkins Career and Technical Education: Adult, Section 132	84.048	14894		152,803
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement, Part B, Sec 611	84.027	13379	54,394,892	
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	145,458	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	1,073,876	
IDEA Preschool Capacity Building, Part B, Sec 619	84.173A	13839	91,981	
IDEA Mental Health Average Daily Attendance Allocation, Part B, Sec 611	84.027A	15197	3,309,048	
Sp Ed Preschool Staff Development	84.173A	13431	7,443	
Sp Ed Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	88,653	
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	3,621,492	
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	208,604	
Total Special Education Cluster				62,941,447
Early Intervention Grants	84.181	23761		161,253
Passed through the California Department of Rehabilitation:				
Workability II, Transition Partnership Program	84.126	10006		2,996,171
Passed through California Dept. of Education (CDE):				
COVID-19 Education Stabilization Fund:				
ESSER - California Community Schools Partnership Program	84.425D	15537	312,999	
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	3,544,659	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	3,789,676	
Elementary and Secondary School Emergency Relief III Fund: Learning Loss	84.425U	10155	633,013	
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425U	15618	135,142	
ELO Grant GEER II	84.425U	15619	78,917	
ELO Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	98,997	
ELO Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	14,696	
American Rescue Plan-Homeless Children and Youth (ARP - Homeless I)	84.425U	15564	315,918	
ARP Homeless Children and Youth - Statewide Activities	84.425U	15636	214,105	
American Rescue Plan - Homeless Children and Youth II	84.425U	15566	111,342	
Subtotal Education Stabilization Fund				9,249,464
Total U.S. Department of Education				84,272,052
U.S. Department of Health & Human Services:				
COVID-19 Public Health Workforce Supplemental Funding	93.354	N/A		821,926
Substance Abuse and Mental Health Services Projects	93.243	N/A		25,051
Passed through California Dept. of Education:				
Child Care Development Fund Cluster:				
Child Development Local Planning Councils	93.575	13946	19,683	
Child Development: Quality Improvement Activities	93.575	14130	952,148	
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend	93.575	15555	161,751	
COVID-19 ARP California State Preschool Program One-time Stipend	93.575	15640	256,995	
Total Child Care Development Fund Cluster				1,390,577
Total U.S. Department of Health & Human Services				2,237,554
Total Expenditures of Federal Awards				$ 88,441,336

See accompanying note to supplementary information.

Of the Federal expenditures reported in the schedule, the SBCSS provided federal awards to subrecipients as follows:

Program Title	Federal Assistance Listing Number	Amount Provided to Subrecipients
Special Education Cluster (IDEA):		
Local Assistance Entitlement, Part B, Sec 611	84.027	$ 51,768,332
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	530,572
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	888,706
Sp Ed Preschool Staff Development	84.173A	3,425
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	3,621,492
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	208,604
Early Intervention Grants	84.181	14,436
Forest Reserve	10.665	306,520
Total		$ 57,342,087

NOTE 1 – PURPOSE OF SCHEDULES

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Charter Schools
This schedule lists all charter schools chartered by the SBCSS, and displays information for each charter school and whether or not the charter school is included in the SBCSS audit.

Schedule of Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the SBCSS and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The SBCSS did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	Assist. Listing	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 88,311,814
Differences between Federal Revenues and Expenditures:		
ARP California State Preschool Program - Rate Supplements	93.575	(289,224)
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend	93.575	161,751
COVID-19 ARP California State Preschool Program One-time Stipend Total Child Care Development Fund Cluster	93.575	256,995
Total Schedule of Expenditures of Federal Awards		$ 88,441,336

Other Independent Auditors' Reports

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NIGRO & NIGRO PC

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INDEPENDENT AUDITORS' 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*

Board of Education
San Bernardino County Superintendent of Schools
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Bernardino County Superintendent of Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SBCSS's basic financial statements, and have issued our report thereon dated October 4, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the SBCSS'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 SBCSS's internal control. Accordingly, we do not express an opinion on the effectiveness of the SBCSS's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Nigro & Nigro, PC

Murrieta, California
October 4, 2023

NIGRO & NIGRO PC

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
San Bernardino County Superintendent of Schools
San Bernardino, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools' major federal programs for the year ended June 30, 2023. The San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools' federal program.

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Auditors' 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 San Bernardino County Superintendent of Schools' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect 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 San Bernardino County Superintendent of Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, 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 San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools' 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.

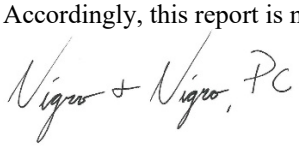
Report on Internal Control Over Compliance

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.



Murrieta, California
October 4, 2023

NIGRO & NIGRO PC

A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
San Bernardino County Superintendent of Schools
San Bernardino, California

Report on Compliance

Opinion
We have audited the San Bernardino County Superintendent of Schools' compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the County's state program requirements identified below for the year ended June 30, 2023.

In our opinion, San Bernardino County Superintendent of Schools complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2022-23 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 San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools' state programs.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Auditors' 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 San Bernardino County Superintendent of Schools' 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 2022-23 *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 San Bernardino County Superintendent of Schools' compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2022-23 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 San Bernardino County Superintendent of Schools' 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 San Bernardino County Superintendent of Schools' 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 *2022-23 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 San Bernardino County Superintendent of Schools' internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the San Bernardino County Superintendent of Schools' compliance with the state laws and regulations applicable to the following items:

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

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

Areas marked as "Not Applicable" were not operated by the San Bernardino County Superintendent of Schools or do not apply to County Offices of Education.

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 in 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, the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identity 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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Nigro & Nigro, PC

Murrieta, California
October 4, 2023

Schedule of Findings and Questioned Costs

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SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS
Summary of Auditors' Results
For the Fiscal Year Ended June 30, 2023

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)?	No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
84.010	Title I Fund
84.425, 84.425C, 84.425D, 84.425U	Education Stabilization Fund
84.126	Workability II, Transition Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,653,240
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2022-23.

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2022-23.

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2022-23.

SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2023

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2022-001: California Clean Energy	Local Educational Agencies (LEAs) are required to submit a final project completion report to the California Clean Energy Commission 12-15 months after the energy expenditure plan is completely installed. An energy expenditure plan is considered complete when the LEA has completed all measures in the approved energy expenditure plan. A final project completion report is required for each approved energy expenditure plan. SBCSS completed a project on February 26, 2016, but did not submit the final report until October 16, 2020, which is outside the 15-month window.	40000	Not applicable since this was the final project report. No future final reports will be required.	Implemented