# SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

## AUDIT REPORT

**For the Fiscal Year Ended June 30, 2024**

NIGRO & NIGRO PC

**SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS**
*For the Fiscal Year Ended June 30, 2024*
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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, 2024, 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, 2024, 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 *2023-24 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
MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • Licensed by the California Board of Accountancy

***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.

***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 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 Schedule of Charter Schools, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 Information***
Management is responsible for the other information included in the annual report. The other information comprises the LEA Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to the materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2024 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.



Murrieta, California
November 6, 2024

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, 2024. 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/Treasurer/Tax Collector 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 Study 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 and charter schools. The branch also has the responsibility for establishing, coordinating and maintaining an unemployment insurance management system for each school district and community college within the county, including providing representation at appeal hearings and annual workshops for participating districts.

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 educational technology, information systems, software applications, data center operations, telecommunications, network operations, enterprise systems, and comprehensive client support services. The Digital Learning Services team of the Technology Services Branch provides San Bernardino County Districts important EdTech, online and blended learning, digital literacy, and computer science professional development and capacity-building opportunities.

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 $49.4 million, or 40.7%.
- Governmental expenses were approximately $619.2 million. Revenues were approximately $668.7 million.
- The SBCSS spent approximately $10.7 million in new capital and subscription assets during the year.
- The SBCSS increased its outstanding long-term debt by $2.5 million.
- Governmental funds increased by $48.3 million, or 24.7%.
- Required reserves for the County School Service Fund increased by $1.0 million, or 12.2%. Revenues were $495.0 million, and expenditures were $449.9 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

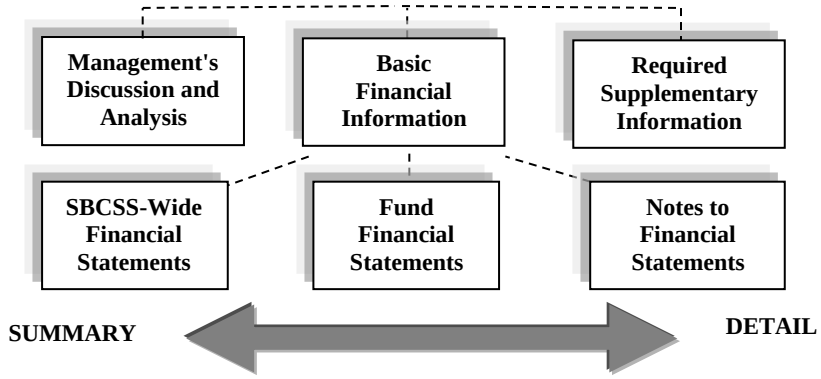
This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the SBCSS:

- 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, 2024, than it was the year before – increasing 40.7% to $170.8 million (See Table A-1).

**Table A-1: Statement of Net Position**

| | Governmental Activities | | Variance Increase (Decrease) |
|---|---|---|---|
| | 2024 | 2023 | |
| **Assets** | | | |
| Current assets | $ 369,130,104 | $ 331,503,469 | $ 37,626,635 |
| Capital assets | 147,114,910 | 145,713,475 | 1,401,435 |
| **Total assets** | 516,245,014 | 477,216,944 | 39,028,070 |
| **Deferred outflows of resources** | 118,172,343 | 126,636,187 | (8,463,844) |
| **Liabilities** | | | |
| Current liabilities | 125,254,275 | 135,958,568 | (10,704,293) |
| Long-term liabilities | 286,182,435 | 283,644,363 | 2,538,072 |
| **Total liabilities** | 411,436,710 | 419,602,931 | (8,166,221) |
| **Deferred inflows of resources** | 52,143,127 | 62,844,349 | (10,701,222) |
| **Net position** | | | |
| Net investment in capital assets | 147,114,910 | 145,713,475 | 1,401,435 |
| Restricted | 158,015,588 | 119,839,566 | 38,176,022 |
| Unrestricted | (134,292,978) | (144,147,190) | 9,854,212 |
| **Total net position** | $ 170,837,520 | $ 121,405,851 | $ 49,431,669 |

**Changes in net position, governmental activities.** The SBCSS's total revenues increased 12.4% to $668.7 million (See Table A-2). The increase is due primarily to increased fee-for-service programs and operating grants.

The total cost of all programs and services increased 7.9% to $619.2 million. The SBCSS's expenses are predominantly related to educating and caring for students, 53.6%. The purely administrative activities of the SBCSS accounted for just 8.9% 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 |
|---|---|---|---|
| | 2024 | 2023 | (Decrease) |
| **Revenues** | | | |
| Program Revenues: | | | |
| Charges for services | $ 96,589,056 | $ 67,080,758 | $ 29,508,298 |
| Operating grants and contributions | 444,628,774 | 420,659,767 | 23,969,007 |
| Capital grants and contributions | - | 737,103 | (737,103) |
| General Revenues: | | | |
| Federal and state aid not restricted | 56,211,404 | 47,998,540 | 8,212,864 |
| Property taxes | 32,605,649 | 30,330,386 | 2,275,263 |
| Other general revenues | 38,638,398 | 28,099,144 | 10,539,254 |
| **Total Revenues** | 668,673,281 | 594,905,698 | 73,767,583 |
| **Expenses** | | | |
| Instruction-related | 251,059,960 | 212,694,463 | 38,365,497 |
| Pupil services | 81,162,179 | 69,438,237 | 11,723,942 |
| Administration | 54,932,792 | 53,201,162 | 1,731,630 |
| Plant services | 10,053,602 | 8,364,610 | 1,688,992 |
| All other activities | 222,033,079 | 230,247,950 | (8,214,871) |
| **Total Expenses** | 619,241,612 | 573,946,422 | 45,295,190 |
| Increase (decrease) in net position | 49,431,669 | 20,959,276 | 28,472,393 |
| **Net Position** | $ 170,837,520 | $ 121,405,851 | $ 49,431,669 |

## 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 $243.9 million, which is above last year's ending fund balance of $195.5 million. The primary cause of the increased fund balance is due to operating surpluses in the County School Services Fund and Child Development Fund.

### Table A-3: The SBCSS's Fund Balances

| | Fund Balances | | | | |
|---|---|---|---|---|---|
| | July 1, 2023 | Revenues | Expenditures | Other Sources and (Uses) | June 30, 2024 |
| **Fund** | | | | | |
| County School Services Fund | $ 151,470,165 | $ 494,476,633 | $ 449,949,651 | $ (12,159,319) | $ 183,837,828 |
| Special Education Pass-Through Fund | - | 158,055,058 | 158,055,058 | - | - |
| Child Development Fund | 3,736,506 | 20,779,910 | 15,472,613 | 45,338 | 9,089,141 |
| Deferred Maintenance Fund | 10,529,749 | 562,899 | 3,330,549 | 6,625,000 | 14,387,099 |
| Forest Reserve Fund | 365,346 | 425,752 | 324,922 | (54,398) | 411,778 |
| Special Reserve Fund (Postemployment Benefits) | 17,101,835 | 422,764 | - | 2,000,000 | 19,524,599 |
| County School Facilities Fund | 24 | - | - | (24) | - |
| Special Reserve Fund (Capital Outlay) | 12,341,276 | 284,108 | - | 4,000,000 | 16,625,384 |
| | $ 195,544,901 | $ 675,007,124 | $ 627,132,793 | $ 456,597 | $ 243,875,829 |

## 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 $61.6 million primarily to reflect federal and state budget actions.
- Salaries and benefits – increased $3.9 million due to revised FTE and salary estimates.
- Other non-personnel expenses – increased $57.7 million to re-budget carryover funds and revise operational cost estimates.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2023-24 the SBCSS had acquired $10.2 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 $7.4 million. SBCSS acquired $0.5 million in new leased and subscription assets. Amortization for leased and subscription assets was $1.9 million.

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

| | Governmental Activities | | Variance Increase |
|---|---|---|---|
| | 2024 | 2023 | (Decrease) |
| Land | $ 21,535,184 | $ 21,535,184 | $ - |
| Improvement of sites | 5,204,555 | 5,108,727 | 95,828 |
| Buildings | 111,345,977 | 109,044,901 | 2,301,076 |
| Equipment | 5,485,382 | 4,669,578 | 815,804 |
| Construction in progress | 882,463 | 1,260,882 | (378,419) |
| Leased assets | 1,453,434 | 2,597,012 | (1,143,578) |
| Subscription assets | 1,207,915 | 1,497,191 | (289,276) |
| Total | $ 147,114,910 | $ 145,713,475 | $ 1,401,435 |

### Long-Term Debt

At year-end the SBCSS had $286.2 million in long term debt – an increase of 0.9% 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 |
|---|---|---|---|
| | 2024 | 2023 | (Decrease) |
| Compensated absences | $ 3,772,174 | $ 4,054,805 | $ (282,631) |
| Other postemployment benefits | 19,937,168 | 23,410,358 | (3,473,190) |
| Lease liability | 1,535,653 | 2,598,678 | (1,063,025) |
| Subscription liability | 645,641 | 495,601 | 150,040 |
| Net Pension Liability | 260,291,799 | 253,084,921 | 7,206,878 |
| Total | $ 286,182,435 | $ 283,644,363 | $ 2,538,072 |

## FACTORS BEARING ON THE SUPERINTENDENT'S FUTURE

***State Budget***
The Legislature passed an initial budget on June 15, 2024. The main structural difference between the legislative package and the May Revision was that the legislative package started the proposed limitation on NOLs and tax credits one year earlier—resulting in roughly $5 billion in additional revenue. The Legislature's budget used that additional budget capacity to reject some of the Governor's spending solutions and/or provide other augmentations. The legislative package also included a large number of other smaller changes across a variety of programs. The legislative package used slightly more (nearly $1 billion) in general purpose reserves than the May Revision.

**K-14 Education**
***Funds Modest COLA and a Few Smaller Augmentations***
For 2024-25, the budget provides $1 billion to cover a 1.07 percent COLA for existing school and community college programs. For schools, the budget also provides an increase of $300 million ($179 million ongoing and $121 million one time) to cover cost increases related to universal school meals. A small portion of the budget's remaining funds are allocated to cover enrollment- and caseload-driven increases in a few specific areas.

***Implements Small Payment Deferral***
The budget reduces spending in 2024-25 by deferring $487 million in payments to 2025-26. Of this deferral, half applies to schools and half applies to community colleges. The state will implement the deferral by delaying a portion of the payment districts ordinarily would receive in June 2025 to July 2025. The law allows school districts to be exempt from this deferral (meaning they would receive all of their funding on time) if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in 2024-25 to the minimum level required by Proposition 98.

***Suspends Proposition 98 Requirement and Reduces Spending***
For 2023-24, the budget invokes a provision allowing the state to suspend the minimum Proposition 98 requirement and reduce spending on schools and community colleges by $8.3 billion relative to the level otherwise required that year. Separate from this action, the budget makes a $2.6 billion reduction attributable to 2022-23. Both of these reductions lower the Proposition 98 requirement on an ongoing basis. The combined effect of these reductions is to reduce General Fund spending by $12.7 billion over the 2022-23 through 2024-25 period. As required by the State Constitution, the budget also withdraws the entire balance from the Proposition 98 Reserve ($8.4 billion) in 2023-24 to supplement the funding provided to schools and community colleges. In 2024-25, the budget begins to build back the Proposition 98 Reserve by making a discretionary deposit of nearly $1.1 billion.

## FACTORS BEARING ON THE SUPERINTENDENT'S FUTURE (continued)

***Bond Funds***
The state is seeking approval of two bond measures on the November 2024 ballot: Proposition 2 and Proposition 4. Proposition 2 would allow the state to borrow $10 billion to build new facilities and renovate existing facilities at school districts and community colleges. The cost to repay this bond would be about $500 million each year for 35 years. Proposition 4 would allow the state to borrow $10 billion to pay for various natural resources and climate activities. The cost to repay this bond would be about $400 million each year for 40 years. The cost to repay both bonds would total about $900 million each year

***Scores Savings Related to Attendance and a Few Other Adjustments***
In response to significant declines in attendance over the past several years, the state adopted a series of policies temporarily funding school districts based on the attendance they reported prior to the COVID-19 pandemic. For 2024.25, the budget assumes savings of $1.8 billion as these higher pre-pandemic attendance levels phase out of district funding calculations. In addition, the budget obtains $1.2 billion in savings by (1) deferring some payments from 2024-25 to 2025-26, (2) reducing funding for State Preschool that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. Under the Constitution, the state must dedicate all of these savings to other school and community college purposes.

All of these factors were considered in preparing the San Bernardino County Superintendent of Schools' budget for the 2024-25 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, 2024*

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Deposits and investments | $ 239,983,264 |
| Accounts receivable | 126,017,470 |
| Inventories | 194,353 |
| Prepaid expenses | 2,935,017 |
| Capital assets: | |
| Non-depreciable assets | 22,417,647 |
| Depreciable assets | 227,495,070 |
| Less accumulated depreciation | (105,459,156) |
| Lease assets | 3,665,439 |
| Less accumulated amortization | (2,212,005) |
| Subscription assets | 2,378,845 |
| Less accumulated amortization | (1,170,930) |
| Total assets | 516,245,014 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred outflows related to pensions | 111,047,111 |
| Deferred outflows related to OPEB | 7,125,232 |
| Total deferred outflows of resources | 118,172,343 |
| **LIABILITIES** | |
| Accounts payable | 121,928,527 |
| Unearned revenues | 3,325,748 |
| Noncurrent liabilities: | |
| Due or payable within one year | 1,331,669 |
| Due in more than one year: | |
| Other than OPEB and pensions | 4,621,799 |
| Total OPEB liability | 19,937,168 |
| Net pension liability | 260,291,799 |
| Total liabilities | 411,436,710 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflows related to pensions | 43,665,903 |
| Deferred outflows related to OPEB | 8,477,224 |
| Total deferred outflows of resources | 52,143,127 |
| **NET POSITION** | |
| Net investment in capital assets | 147,114,910 |
| Restricted for: | |
| Capital projects | 16,625,384 |
| Categorical programs | 141,390,204 |
| Unrestricted | (134,292,978) |
| Total net position | $ 170,837,520 |

# SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2024*

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenues and Changes in Net Position |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Instructional Services: | | | | |
| Instruction | $ 153,403,305 | $ 25,917,835 | $ 123,342,106 | $ (4,143,364) |
| Instruction-Related Services: | | | | |
| Supervision of instruction | 85,789,370 | 14,956,876 | 56,456,560 | (14,375,934) |
| Instructional library, media and technology | 212,533 | - | 179,564 | (32,969) |
| School site administration | 11,654,752 | 789,035 | 8,040,238 | (2,825,479) |
| Pupil Support Services: | | | | |
| Home-to-school transportation | 8,481,161 | 1,279,641 | 1,513,015 | (5,688,505) |
| Food services | 136,074 | 5,183 | 60,157 | (70,734) |
| All other pupil services | 72,544,944 | 25,055,564 | 46,463,167 | (1,026,213) |
| General Administration Services: | | | | |
| Data processing services | 10,967,566 | 4,632,552 | 6,881,686 | 546,672 |
| Other general administration | 43,965,226 | 6,226,924 | 22,178,709 | (15,559,593) |
| Plant Services | 10,053,602 | 376,611 | 2,392,727 | (7,284,264) |
| Ancillary services | 756,364 | - | (1,418) | (757,782) |
| Community Services | 4,688,335 | 96,326 | 4,597,981 | 5,972 |
| Enterprise activities | 202,863 | 98,280 | 116,144 | 11,561 |
| Other Outgo | 207,082,766 | 17,154,229 | 172,408,138 | (17,520,399) |
| Depreciation (unallocated) | 7,413,300 | - | - | (7,413,300) |
| Amortization (unallocated) | 1,889,451 | - | - | (1,889,451) |
| Total governmental activities | $ 619,241,612 | $ 96,589,056 | $ 444,628,774 | (78,023,782) |
| | **General Revenues:** | | | |
| | Property taxes | | | 32,605,649 |
| | Federal and state aid not restricted to specific purpose | | | 56,211,404 |
| | Interest and investment earnings | | | 9,119,176 |
| | Interagency revenues | | | 4,528,818 |
| | Miscellaneous | | | 24,990,404 |
| | Total general revenues | | | 127,455,451 |
| | Change in net position | | | 49,431,669 |
| | Net position - July 1, 2023 | | | 121,405,851 |
| | Net position - June 30, 2024 | | | $ 170,837,520 |

## SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

*Balance Sheet – Governmental Funds*

*June 30, 2024*

| | County School Service Fund | Special Education Pass-Through Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Deposits and investments | $ 207,477,355 | $ 104,151 | $ 32,401,758 | $ 239,983,264 |
| Accounts receivable | 61,665,368 | 61,459,291 | 2,892,811 | 126,017,470 |
| Due from other funds | 1,284,317 | 10,127,077 | 10,928,226 | 22,339,620 |
| Inventories | 194,353 | - | - | 194,353 |
| Prepaid expenditures | 2,935,017 | - | - | 2,935,017 |
| Total Assets | $ 273,556,410 | $ 71,690,519 | $ 46,222,795 | $ 391,469,724 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ 46,591,732 | $ 71,690,519 | $ 3,646,276 | $ 121,928,527 |
| Due to other funds | 21,055,303 | - | 1,284,317 | 22,339,620 |
| Unearned revenue | 2,546,948 | - | 778,800 | 3,325,748 |
| Total Liabilities | 70,193,983 | 71,690,519 | 5,709,393 | 147,593,895 |
| **Fund Balances** | | | | |
| Nonspendable | 3,159,370 | - | - | 3,159,370 |
| Restricted | 132,423,947 | - | 25,591,641 | 158,015,588 |
| Committed | - | - | 14,387,099 | 14,387,099 |
| Assigned | 58,523,307 | - | 534,662 | 59,057,969 |
| Unassigned | 9,255,803 | - | - | 9,255,803 |
| Total Fund Balances | 203,362,427 | - | 40,513,402 | 243,875,829 |
| Total Liabilities and Fund Balances | $ 273,556,410 | $ 71,690,519 | $ 46,222,795 | $ 391,469,724 |

## SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position*
*June 30, 2024*

| | | | |
|---|---|---|---|
| **Total fund balances - governmental funds** | | | $ 243,875,829 |
| 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 | $ 249,912,717 | |
| | Accumulated depreciation | (105,459,156) | |
| | Leased assets | 3,665,439 | |
| | Accumulated amortization | (2,212,005) | |
| | Subscription assets | 2,378,845 | |
| | Accumulated amortization | (1,170,930) | |
| | Net: | | 147,114,910 |
| 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 | | 7,125,232 |
| | Deferred inflows of resources from OPEB | | (8,477,224) |
| 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 | | 111,047,111 |
| | Deferred inflows of resources relating to pensions | | (43,665,903) |
| 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 | 3,772,174 | |
| | Lease liability | 1,535,653 | |
| | Subscription liability | 645,641 | |
| | Other postemployment benefits | 19,937,168 | |
| | Net Pension liability | 260,291,799 | |
| | | | (286,182,435) |
| **Total net position - governmental activities** | | | $ 170,837,520 |

## SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*
*For the Fiscal Year Ended June 30, 2024*

| | County School Service Fund | Special Education Pass-Through Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| LCFF sources | $ 82,326,527 | $ - | $ 150,000 | $ 82,476,527 |
| Federal sources | 31,375,687 | 56,290,703 | 1,532,787 | 89,199,177 |
| Other state sources | 165,693,172 | 101,764,355 | 18,824,388 | 286,281,915 |
| Other local sources | 215,504,011 | - | 1,545,494 | 217,049,505 |
| Total Revenues | 494,899,397 | 158,055,058 | 22,052,669 | 675,007,124 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction | 148,978,821 | - | 8,938,074 | 157,916,895 |
| Instruction-related services: | | | | |
| Supervision of instruction | 86,736,081 | - | 1,007,545 | 87,743,626 |
| Instructional library, media and technology | 204,611 | - | - | 204,611 |
| School site administration | 12,022,264 | - | - | 12,022,264 |
| Pupil support services: | | | | |
| Home-to-school transportation | 8,471,774 | - | - | 8,471,774 |
| Food services | 136,074 | - | - | 136,074 |
| All other pupil services | 72,787,695 | - | - | 72,787,695 |
| Ancillary services | 775,301 | - | - | 775,301 |
| Community services | - | - | 4,682,350 | 4,682,350 |
| Enterprise activities | 200,956 | - | - | 200,956 |
| General administration services: | | | | |
| Data processing services | 12,793,798 | - | - | 12,793,798 |
| Other general administration | 42,670,921 | - | - | 42,670,921 |
| Plant services | 14,629,097 | - | (5,486,416) | 9,142,681 |
| Transfers of indirect costs | (723,944) | - | 723,944 | - |
| Capital outlay | - | - | 8,937,665 | 8,937,665 |
| Intergovernmental transfers | 48,702,786 | 158,055,058 | - | 206,757,844 |
| All other outgo | - | - | 324,922 | 324,922 |
| Debt service: | | | | |
| Principal | 1,369,582 | - | - | 1,369,582 |
| Interest | 193,834 | - | - | 193,834 |
| Total Expenditures | 449,949,651 | 158,055,058 | 19,128,084 | 627,132,793 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 44,949,746 | - | 2,924,585 | 47,874,331 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Interfund transfers in | 57,946 | - | 10,673,862 | 10,731,808 |
| Interfund transfers out | (10,673,862) | - | (57,946) | (10,731,808) |
| Proceeds from subscriptions | 456,597 | - | - | 456,597 |
| Total Other Financing Sources and Uses | (10,159,319) | - | 10,615,916 | 456,597 |
| Net Change in Fund Balances | 34,790,427 | - | 13,540,501 | 48,330,928 |
| Fund Balances, July 1, 2023 | 168,572,000 | - | 26,972,901 | 195,544,901 |
| Fund Balances, June 30, 2024 | $ 203,362,427 | $ - | $ 40,513,402 | $ 243,875,829 |

## 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, 2024*

| | | | |
|---|---|---|---|
| **Total net change in fund balances - governmental funds** | | $ | 48,330,928 |
| Amounts reported for governmental activities in the statement of activities are different because: | | | |
| Capital outlays and certain lease and subscription 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 | 10,249,340 | | |
| Depreciation expense | (7,413,300) | | |
| Expenditures for subscription assets | 456,597 | | |
| Amortization expense | (1,889,451) | | 1,403,186 |
| 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: | | | (1,751) |
| 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: | | | 1,369,582 |
| 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: | | | (456,597) |
| 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: | | | (1,427,018) |
| 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: | | | (69,292) |
| 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*). | | | 282,631 |
| **Change in net position of governmental activities** | | $ | 49,431,669 |

## 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 is 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 fund 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 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.

If material, 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 SBCSS 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.

If material, SBCSS recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. SBCSS 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 SBCSS which may be implicit, or SBCSS's incremental borrowing rate if the interest rate is not readily determinable. SBCSS 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 Chief Business Officer 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.

**I. Change in Accounting Principle**

For the fiscal year ended June 30, 2024, SBCSS implemented GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net positions, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Deposits and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

| | | |
|---|---|---|
| Governmental funds/activities | $ | 239,983,264 |
| Total deposits and investments | $ | 239,983,264 |

Deposits and investments as of June 30, 2024 consist of the following:

| | | |
|---|---|---|
| Revolving cash | $ | 30,000 |
| Investments | | 239,953,264 |
| Total deposits and investments | $ | 239,983,264 |

**Pooled Funds**

In accordance with Education Code Section 41001, SBCSS maintains substantially all of its cash in the interest-bearing San Bernardino County Treasurer's Pooled Investment Fund. SBCSS is considered to be an involuntary participant in an external investment pool. The fair value of SBCSS's investment in the pool is reported in the financial statements at amounts based upon the SBCSS'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, 2024, 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 | $ 239,953,264 | $ 239,953,264 | $ - | 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, 2024, 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, 2024, 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, 2024, 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 | $ 9,637,309 | $ - | $ 863,757 | $ 10,501,066 |
| Special education | 3,471,178 | 56,713,410 | - | 60,184,588 |
| State Government: | | | | |
| Lottery | 113,909 | - | - | 113,909 |
| Special education | 13,853,814 | 4,742,938 | - | 18,596,752 |
| Categorical aid programs | 5,723,323 | - | 1,963,425 | 7,686,748 |
| Other State | - | - | 17,740 | 17,740 |
| Local: | | | | |
| Other Local | 28,865,835 | - | 47,889 | 28,913,724 |
| | $ 61,665,368 | $ 61,459,291 | $ 2,892,811 | $ 126,017,470 |

## 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, 2024, 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 | $ - | $ 10,127,077 | $ 10,928,226 | $ 21,055,303 |
| Non-Major Governmental Funds | 1,284,317 | - | - | 1,284,317 |
| Totals | $ 1,284,317 | $ 10,127,077 | $ 10,928,226 | $ 22,339,620 |

| | |
|---|---|
| County School Service Fund due to Special Education Pass-Through Fund for interest apportionment and passthrough of Special Education apportionment | $ 10,127,077 |
| 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 | 153,226 |
| County School Service Fund due to Deferred Maintenance Fund for reserve for possible upcoming projects | 6,775,000 |
| Child Development Fund due to County School Service Fund for indirect costs and postage charges | 1,284,317 |
| County School Service Fund due to Special Reserve Fund for Capital Outly Projects for capital projects | 4,000,000 |
| Total | $ 22,339,620 |

### B. Transfers To/From Other Funds

Transfers to/from other funds for the year ended June 30, 2024, consisted of the following:

| | Interfund Transfers In | | |
|---|---|---|---|
| | County School Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
| County School Service Fund | $ - | $ 10,673,862 | $ 10,673,862 |
| Non-Major Governmental Funds | 57,946 | - | 57,946 |
| Totals | $ 57,946 | $ 10,673,862 | $ 10,731,808 |

| | |
|---|---|
| Transfer from County School Facilities Fund to County School Services Fund to close Facilities Fund | $ 24 |
| Transfer from County School Service Fund to Deferred Maintenance Fund for maintenance contribution | 6,625,000 |
| Transfer from County School Service Fund to Special Reserve Fund for Capital Outlay for project costs | 4,000,000 |
| Miscellaneous transfers between the County School Services Fund and Non-Major Funds | 106,784 |
| Total | $ 10,731,808 |

**NOTE 5 – FUND BALANCES**

At June 30, 2024, 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 | 194,353 | - | 194,353 |
| Prepaid expenditures | 2,935,017 | - | 2,935,017 |
| Total Nonspendable | 3,159,370 | - | 3,159,370 |
| Restricted: | | | |
| Categorical programs | 132,423,947 | - | 132,423,947 |
| Child development program | - | 8,966,257 | 8,966,257 |
| Capital projects | - | 16,625,384 | 16,625,384 |
| Total Restricted | 132,423,947 | 25,591,641 | 158,015,588 |
| Committed: | | | |
| Deferred maintenance program | - | 14,387,099 | 14,387,099 |
| Total Committed | - | 14,387,099 | 14,387,099 |
| Assigned: | | | |
| Postemployment benefits | 19,524,599 | - | 19,524,599 |
| Other assignments | 38,998,708 | 534,662 | 39,533,370 |
| Total Assigned | 58,523,307 | 534,662 | 59,057,969 |
| Unassigned: | | | |
| Reserve for economic uncertainties | 9,255,803 | - | 9,255,803 |
| Total Unassigned | 9,255,803 | - | 9,255,803 |
| Total | $ 203,362,427 | $ 40,513,402 | $ 243,875,829 |

## NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2024, was as follows:

| | Balance, July 1, 2023 | Additions | Deletions | Balance, June 30, 2024 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 21,535,184 | $ - | $ - | $ 21,535,184 |
| Construction in progress | 1,260,882 | 623,638 | 1,002,057 | 882,463 |
| Total capital assets not being depreciated | 22,796,066 | 623,638 | 1,002,057 | 22,417,647 |
| Capital assets being depreciated: | | | | |
| Improvement of sites | 9,814,626 | 605,762 | - | 10,420,388 |
| Buildings | 190,811,730 | 7,669,997 | - | 198,481,727 |
| Equipment | 17,331,887 | 2,352,000 | 1,090,932 | 18,592,955 |
| Total capital assets being depreciated | 217,958,243 | 10,627,759 | 1,090,932 | 227,495,070 |
| Accumulated depreciation for: | | | | |
| Improvement of sites | (4,705,899) | (509,934) | - | (5,215,833) |
| Buildings | (81,766,829) | (5,368,921) | - | (87,135,750) |
| Equipment | (12,662,309) | (1,534,445) | (1,089,181) | (13,107,573) |
| Total accumulated depreciation | (99,135,037) | (7,413,300) | (1,089,181) | (105,459,156) |
| Total capital assets being depreciated, net | 118,823,206 | 3,214,459 | 1,751 | 122,035,914 |
| Leased Assets: | | | | |
| Building leases | 2,093,997 | - | - | 2,093,997 |
| Equipment leases | 1,571,442 | - | - | 1,571,442 |
| Accumulated amortization for: | | | | |
| Building leases | (147,382) | (775,806) | - | (923,188) |
| Equipment leases | (921,045) | (367,772) | | (1,288,817) |
| Total leased assets, net | 2,597,012 | (1,143,578) | - | 1,453,434 |
| Sunscription Assets: | | | | |
| IT Subscriptions | 2,042,248 | 456,597 | 120,000 | 2,378,845 |
| Accumulated amortization for: | | | | |
| IT Subscriptions | (545,057) | (745,873) | (120,000) | (1,170,930) |
| Total subscription assets, net | 1,497,191 | (289,276) | - | 1,207,915 |
| Governmental activity capital assets, net | $ 145,713,475 | $ 2,405,243 | $ 1,003,808 | $ 147,114,910 |

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

Changes in long-term debt for the year ended June 30, 2024, were as follows:

| | Balance, July 1, 2023 | Additions | Deductions | Balance, June 30, 2024 | Amount Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 4,054,805 | $ - | $ 282,631 | $ 3,772,174 | $ - |
| Subscription liability | 495,601 | 456,597 | 306,557 | 645,641 | 377,697 |
| Lease liability | 2,598,678 | - | 1,063,025 | 1,535,653 | 953,972 |
| Total | $ 7,149,084 | $ 456,597 | $ 1,652,213 | $ 5,953,468 | $ 1,331,669 |

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 |
|---|---|---|
| 2024-2025 | $ 953,972 | $ 158,214 |
| 2025-2026 | 319,788 | 102,242 |
| 2026-2027 | 136,403 | 56,591 |
| 2027-2028 | 125,490 | 17,498 |
| Totals | $ 1,535,653 | $ 334,545 |

**B. Subscription Based IT Arrangements**

SBCSS 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. SBCSS 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 |
|---|---|---|
| 2024-2025 | $ 377,697 | $ 6,866 |
| 2025-2026 | 130,297 | 3,527 |
| 2026-2027 | 112,397 | 647 |
| 2027-2028 | 25,250 | - |
| Totals | $ 645,641 | $ 11,040 |

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

For the fiscal year ended June 30, 2024, 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 | $ 19,490,784 | $ 7,125,232 | $ 8,477,224 | $ 2,387,455 |
| MPP Program | 446,384 | - | - | (42,338) |
| Total | $ 19,937,168 | $ 7,125,232 | $ 8,477,224 | $ 2,345,117 |

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, 2023 valuation date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 68 |
| Active employees | 1,778 |
| Total | 1,846 |

**Net OPEB Liability**
The SBCSS's total OPEB liability of $19,490,784 for the Plan was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023.

**Actuarial Assumptions and Other Inputs**
The total OPEB liability in the June 30, 2023 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, 2023 |
| Inflation | 2.50 percent |
| Salary increases | 2.75 percent |
| Healthcare cost trend rates | 4.00 percent |

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

***Discount Rate***
The discount rate used to measure the OPEB liability was 3.65%. 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: 2021 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, 2022** | $ 22,921,636 |
| **Changes for the year:** | |
| Service cost | 1,655,662 |
| Interest | 824,854 |
| Differences between expected and actual experience | (3,849,785) |
| Changes of assumptions | (971,872) |
| Benefit payments | (1,089,711) |
| Net changes | (3,430,852) |
| **Balance at June 30, 2023** | $ 19,490,784 |

***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 | $ 21,071,250 |
| Current discount rate | $ 19,490,784 |
| 1% increase | $ 18,011,954 |

***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 | $ 17,224,762 |
| Current trend rate | $ 19,490,784 |
| 1% increase | $ 22,162,173 |

**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, 2024, the SBCSS recognized OPEB expense of $2,387,455. In addition, at June 30, 2024, 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 | $ 444,357 | $ - |
| Differences between expected and actual experience | 1,805,134 | 4,920,458 |
| Changes of assumptions | 4,875,741 | 3,556,766 |
| Total | $ 7,125,232 | $ 8,477,224 |

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 |
|---|---|---|
| 2025 | $ 685,505 | $ 778,566 |
| 2026 | 685,505 | 778,566 |
| 2027 | 685,505 | 778,566 |
| 2028 | 685,505 | 778,566 |
| 2029 | 685,505 | 778,566 |
| Thereafter | 3,253,350 | 4,584,394 |
| Totals | $ 6,680,875 | $ 8,477,224 |

**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, 2022 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, 2023, 4,457 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, 2024, the SBCSS reported a liability of $446,384 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, 2023, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 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, 2024 | Fiscal Year Ending June 30, 2023 | Change Increase/ (Decrease) |
| Measurement Date | June 30, 2023 | June 30, 2022 | |
| Proportion of the Net OPEB Liability | 0.147109% | 0.148362% | (0.001253%) |

For the year ended June 30, 2024, the SBCSS reported OPEB expense of $(42,338).

**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, 2022 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, 2023 |
| Valuation Date | June 30, 2022 |
| Experience Study | June 30, 2015 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 3.65% |
| Healthcare Cost Trend Rates | 4.5% for Medicare Part A, and<br>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 179 or an average of 0.13% of the potentially eligible population of 138,780.

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, 2023, 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, 2023, 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, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

**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 | $ | 485,128 |
| Current discount rate | $ | 446,384 |
| 1% increase | $ | 412,696 |

***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 | $ | 410,717 |
| Current trend rate | $ | 446,384 |
| 1% increase | $ | 486,650 |

**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, 2024, 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 | $ | 75,747,218 | $ | 24,736,458 | $ | 6,391,844 | $ | 10,852,191 |
| CalPERS | | 184,544,581 | | 86,310,653 | | 37,274,059 | | 29,996,650 |
| Total | $ | 260,291,799 | $ | 111,047,111 | $ | 43,665,903 | $ | 40,848,841 |

**NOTE 9 – PENSION PLANS (continued)**

The details of each plan are as follows:

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

**Plan Description**
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, 2022, 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 STRP provisions and benefits in effect at June 30, 2024, 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 established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2024, are presented above, and SBCSS's total contributions were $13,167,829.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**
At June 30, 2024, SBCSS reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to SBCSS. The amount recognized by 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 SBCSS were as follows:

| Total net pension liability, including State share: | | |
|---|---|---|
| SBCSS's proportionate share of net pension liability | $ | 75,747,218 |
| State's proportionate share of the net pension liability associated with the County | | 36,292,622 |
| Total | $ | 112,039,840 |

The net pension liability was measured as of June 30, 2023. SBCSS's proportion of the net pension liability was based on a projection of 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. 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, 2024 | Fiscal Year Ending June 30, 2023 | Change Increase/ (Decrease) |
| Measurement Date | June 30, 2023 | June 30, 2022 | |
| Proportion of the Net Pension Liability | 0.099457% | 0.098856% | 0.000601% |

**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, 2024, SBCSS recognized pension expense of $10,852,191. In addition, SBCSS recognized pension expense and revenue of $(527,043) for support provided by the State. At June 30, 2024, 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 | $ 13,167,829 | $ - |
| Net change in proportionate share of net pension liability | 4,853,312 | 2,338,983 |
| Difference between projected and actual earnings on pension plan investments | 324,229 | - |
| Changes of assumptions | 438,604 | - |
| Differences between expected and actual experience | 5,952,484 | 4,052,861 |
| Total | $ 24,736,458 | $ 6,391,844 |

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 |
|---|---|---|
| 2025 | $ 1,204,522 | $ 1,808,628 |
| 2026 | 876,991 | 3,141,348 |
| 2027 | 7,044,709 | 448,558 |
| 2028 | 1,197,649 | 331,103 |
| 2029 | 515,143 | 331,103 |
| Thereafter | 729,615 | 331,104 |
| Total | $ 11,568,629 | $ 6,391,844 |

**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, 2022, and rolling forward the total pension liability to June 30, 2023. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2023, include:

| | |
|---|---|
| Valuation Date | June 30, 2022 |
| 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, 2023, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Public Equity | 38.0% | 5.25% |
| Real Estate | 15.0% | 4.05% |
| Private Equity | 14.0% | 6.75% |
| Fixed Income | 14.0% | 2.45% |
| Risk Mitigating Strategies | 10.0% | 2.25% |
| Inflation Sensitive | 7.0% | 3.65% |
| Cash/Liquidity | 2.0% | 0.05% |

**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 the 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 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%) | $ | 127,059,914 |
| Current discount rate (7.10%) | $ | 75,747,218 |
| 1% increase (8.10%) | $ | 33,126,044 |

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of 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. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by SBCSS for its proportionate share of the State's on-behalf contributions is $5,805,061.

**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, 2022 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, 2024, 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 | 26.68% | 26.68% |

**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, 2024 are presented above, and the total SBCSS contributions were $28,138,756.

**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, 2024, SBCSS reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $184,544,581. The net pension liability was measured as of June 30, 2023. 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. 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, 2024 | Fiscal Year Ending June 30, 2023 | Change Increase/ (Decrease) |
| Measurement Date | June 30, 2023 | June 30, 2022 | |
| Proportion of the Net Pension Liability | 0.509807% | 0.535888% | -0.026080% |

For the year ended June 30, 2024, SBCSS recognized pension expense of $29,996,650. At June 30, 2024, 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 | $ 28,138,756 | $ - |
| Net change in proportionate share of net pension liability | 1,093,993 | 12,310,271 |
| Difference between projected and actual earnings on pension plan investments | 41,841,454 | 22,129,455 |
| Changes of assumptions | 8,501,895 | - |
| Differences between expected and actual experience | 6,734,554 | 2,834,333 |
| Total | $ 86,310,653 | $ 37,274,059 |

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 3.8 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 |
|---|---|---|
| 2025 | $ 22,652,370 | $ 16,529,036 |
| 2026 | 19,754,880 | 16,298,387 |
| 2027 | 15,151,191 | 2,881,738 |
| 2028 | 613,456 | 1,564,898 |
| 2029 | - | - |
| Thereafter | - | - |
| Total | $ 58,171,897 | $ 37,274,059 |

**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, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---|---|
| Valuation Date | June 30, 2022 |
| 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 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%) | $ | 266,803,761 |
| Current discount rate (6.9%) | $ | 184,544,581 |
| 1% increase (7.9%) | $ | 116,559,241 |

**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, 2024, SBCSS reported payables of $712,711 and $31,794 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2024.

## NOTE 10 – JOINT VENTURES

The San Bernardino County Superintendent of Schools participates in four joint powers agreement (JPA) entities: California Education Computer Consortium (CECC), California Schools Risk Management (CSRM), California Schools Employee Benefits Association (CSEBA), 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. CSRM arranges for and provides workers' compensation coverage, general liability, and property coverage for all members, including the SBCSS through June 30, 2024. CSEBA 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, 2024, the SBCSS had commitments with respect to unfinished capital projects of approximately $5.1 million to be paid from available construction funds.

## 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, 2024, 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 2023-24, 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 CSEBA to provide employee health insurance through Kaiser Permanente and Blue Shield, as well as dental, vision and life insurance.

# *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, 2024*

| | Budgeted Amounts | | Actual | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Pos (Neg) |
| **Revenues** | | | | |
| LCFF Sources | $ 75,242,446 | $ 79,721,033 | $ 82,326,527 | $ 2,605,494 |
| Federal Sources | 34,807,406 | 37,020,548 | 31,375,687 | (5,644,861) |
| Other State Sources | 156,076,758 | 160,470,149 | 165,693,172 | 5,223,023 |
| Other Local Sources | 144,251,326 | 194,772,655 | 215,081,247 | 20,308,592 |
| Total Revenues | 410,377,936 | 471,984,385 | 494,476,633 | 22,492,248 |
| **Expenditures** | | | | |
| Current: | | | | |
| Certificated Salaries | 70,748,534 | 70,528,931 | 68,576,802 | 1,952,129 |
| Classified Salaries | 109,831,321 | 113,051,129 | 106,778,209 | 6,272,920 |
| Employee Benefits | 90,547,780 | 91,434,331 | 86,675,351 | 4,758,980 |
| Books and Supplies | 12,120,965 | 15,604,872 | 10,199,939 | 5,404,933 |
| Services and Other Operating Expenditures | 116,880,161 | 142,366,208 | 122,352,048 | 20,014,160 |
| Capital Outlay | 1,671,359 | 8,967,099 | 7,388,460 | 1,578,639 |
| Other Outgo | 12,675,398 | 34,066,867 | 47,978,842 | (13,911,975) |
| Total Expenditures | 414,475,518 | 476,019,436 | 449,949,651 | 26,069,785 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,097,582) | (4,035,051) | 44,526,982 | 48,562,033 |
| **Other Financing Sources and Uses** | | | | |
| Interfund Transfer In | 43,543 | 47,067 | 57,946 | 10,879 |
| Interfund Transfers Out | (26,482) | (26,482) | (12,673,862) | (12,647,380) |
| Proceeds from subscriptions | - | - | 456,597 | 456,597 |
| Total Other Financing Sources and Uses | 17,061 | 20,585 | (12,159,319) | (12,179,904) |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (4,080,521) | (4,014,466) | 32,367,663 | 36,382,129 |
| Fund Balances, July 1, 2023 | 145,129,523 | 151,470,165 | 151,470,165 | - |
| Fund Balances, June 30, 2024 | $ 141,049,002 | $ 298,925,864 | 183,837,828 | $ 36,382,129 |
| **Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:** | | | | |
| Special Reserve Fund for Postemployment Benefits | | | 19,524,599 | |
| **Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:** | | | $ 203,362,427 | |

*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, 2024*

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget - Pos (Neg) |
|---|---|---|---|---|
| | Original | Final | | |
| **Revenues** | | | | |
| Federal Sources | $ 51,164,208 | $ 53,785,845 | $ 56,290,703 | $ 2,504,858 |
| Other State Sources | 132,430,772 | 126,365,452 | 101,764,355 | (24,601,097) |
| Total Revenues | 183,594,980 | 180,151,297 | 158,055,058 | (22,096,239) |
| **Expenditures** | | | | |
| Intergovernmental Transfers | 183,594,980 | 180,151,297 | 158,055,058 | 22,096,239 |
| Total Expenditures | 183,594,980 | 180,151,297 | 158,055,058 | 22,096,239 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| Fund Balances, July 1, 2023 | - | - | - | - |
| Fund Balances, June 30, 2024 | $ - | $ - | $ - | $ - |

*See accompanying notes to required supplementary information.*

**SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS**

*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS*

*For the Fiscal Year Ended June 30, 2024*

*Last Ten Fiscal Years*

| **Employer Fiscal Year** / **Measurement Period** | **2023-24** / **2022-23** | **2022-23** / **2021-22** | **2021-22** / **2020-21** | **2020-21** / **2019-20** | **2019-20** / **2018-19** |
|---|---|---|---|---|---|
| SBCSS's proportion of the net pension liability | 0.0995% | 0.0989% | 0.1018% | 0.1011% | 0.0940% |
| SBCSS's proportionate share of the net pension liability | $ 75,747,218 | $ 68,690,924 | $ 46,309,243 | $ 97,963,479 | $ 84,897,040 |
| State's proportionate share of the net pension liability associated with the SBCSS | 36,292,622 | 34,400,146 | 23,301,015 | 50,500,185 | 46,317,377 |
| Totals | $ 112,039,840 | $ 103,091,070 | $ 69,610,258 | $ 148,463,664 | $ 131,214,417 |
| SBCSS's covered-employee payroll | $ 64,323,590 | $ 59,350,190 | $ 56,241,118 | $ 55,085,257 | $ 52,000,000 |
| SBCSS's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 117.76% | 115.74% | 82.34% | 177.84% | 163.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 81% | 81% | 87% | 72% | 73% |

| **Employer Fiscal Year** / **Measurement Period** | **2018-19** / **2017-18** | **2017-18** / **2016-17** | **2016-17** / **2015-16** | **2015-16** / **2014-15** | **2014-15** / **2013-14** |
|---|---|---|---|---|---|
| SBCSS's proportion of the net pension liability | 0.0950% | 0.0940% | 0.0910% | 0.0980% | 0.0860% |
| SBCSS's proportionate share of the net pension liability | $ 87,311,650 | $ 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 | 49,990,248 | 51,428,182 | 41,906,309 | 34,894,741 | 30,346,939 |
| Totals | $ 137,301,898 | $ 138,359,382 | $ 115,508,019 | $ 100,872,261 | $ 80,602,759 |
| SBCSS's covered-employee payroll | $ 50,000,000 | $ 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 | 175.00% | 174.00% | 157.00% | 157.00% | 117.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 71% | 69% | 70% | 74% | 77% |

*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, 2024*

*Last Ten Fiscal Years*

| **Employer Fiscal Year**<br>**Measurement Period** | **2023-24**<br>**2022-23** | **2022-23**<br>**2021-22** | **2021-22**<br>**2020-21** | **2020-21**<br>**2019-20** | **2019-20**<br>**2018-19** |
|---|---|---|---|---|---|
| SBCSS's proportion of the net pension liability | 0.5098% | 0.5359% | 0.5504% | 0.5637% | 0.5480% |
| SBCSS's proportionate share of the net pension liability | $ 184,544,581 | $ 184,393,997 | $ 111,927,051 | $ 172,972,003 | $ 159,710,497 |
| SBCSS's covered-employee payroll | $ 94,171,009 | $ 81,887,276 | $ 81,557,333 | $ 81,900,000 | $ 77,000,000 |
| SBCSS's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 195.97% | 225.18% | 137.24% | 211.07% | 207.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 70% | 81% | 70% | 70% |

| **Employer Fiscal Year**<br>**Measurement Period** | **2018-19**<br>**2017-18** | **2017-18**<br>**2016-17** | **2016-17**<br>**2015-16** | **2015-16**<br>**2014-15** | **2014-15**<br>**2013-14** |
|---|---|---|---|---|---|
| SBCSS's proportion of the net pension liability | 0.5488% | 0.5208% | 0.5119% | 0.5142% | 0.5195% |
| SBCSS's proportionate share of the net pension liability | $ 146,327,357 | $ 124,328,705 | $ 101,100,567 | $ 75,793,588 | $ 58,975,899 |
| SBCSS's covered-employee payroll | $ 73,000,000 | $ 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 | 200.00% | 183.00% | 163.00% | 140.00% | 111.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 71% | 72% | 74% | 79% | 83% |

*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, 2024*

*Last Ten Fiscal Years*

| **Employer Fiscal Year** | **2023-24** | **2022-23** | **2021-22** | **2020-21** | **2019-20** |
|---|---|---|---|---|---|
| Contractually required contribution | $ 13,167,829 | $ 12,285,806 | $ 10,042,052 | $ 9,082,941 | $ 9,419,579 |
| Contributions in relation to the contractually required contribution | 13,167,829 | 12,285,806 | 10,042,052 | 9,082,941 | 9,419,579 |
| Contribution deficiency (excess): | $ - | $ - | $ - | $ - | $ - |
| SBCSS's covered-employee payroll | $ 68,941,515 | $ 64,323,590 | $ 59,350,190 | $ 56,241,118 | $ 55,085,257 |
| Contributions as a percentage of covered-employee payroll | 19.10% | 19.10% | 16.92% | 16.15% | 17.10% |

| **Employer Fiscal Year** | **2018-19** | **2017-18** | **2016-17** | **2015-16** | **2014-15** |
|---|---|---|---|---|---|
| Contractually required contribution | $ 8,489,826 | $ 7,280,701 | $ 6,232,500 | $ 5,046,700 | $ 3,736,883 |
| Contributions in relation to the contractually required contribution | 8,489,826 | 7,280,701 | 6,232,500 | 5,046,700 | 3,736,883 |
| Contribution deficiency (excess): | $ - | $ - | $ - | $ - | $ - |
| SBCSS's covered-employee payroll | $ 52,000,000 | $ 50,000,000 | $ 50,000,000 | $ 47,000,000 | $ 42,000,000 |
| Contributions as a percentage of covered-employee payroll | 16.28% | 14.43% | 12.58% | 10.73% | 8.88% |

*See accompanying notes to required supplementary information.*

**SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS**
*Schedule of Pension Contributions-CalPERS*
*For the Fiscal Year Ended June 30, 2024*

*Last Ten Fiscal Years*

| **Employer Fiscal Year** | **2023-24** | **2022-23** | **2021-22** | **2020-21** | **2019-20** |
|---|---|---|---|---|---|
| Contractually required contribution | $ 28,138,756 | $ 23,891,185 | $ 18,760,375 | $ 16,882,368 | $ 16,161,664 |
| Contributions in relation to the contractually required contribution | 28,138,756 | 23,891,185 | 18,760,375 | 16,882,368 | 16,161,664 |
| SBCSS's covered-employee payroll | $ 105,467,601 | $ 94,171,009 | $ 81,887,276 | $ 81,557,333 | $ 81,900,000 |
| Contributions as a percentage of covered-employee payroll | 26.680% | 25.370% | 22.910% | 20.700% | 19.720% |

| **Employer Fiscal Year** | **2018-19** | **2017-18** | **2016-17** | **2015-16** | **2014-15** |
|---|---|---|---|---|---|
| Contractually required contribution | $ 13,874,370 | $ 11,312,169 | $ 9,506,487 | $ 7,439,089 | $ 6,406,631 |
| Contributions in relation to the contractually required contribution | 13,874,370 | 11,312,169 | 9,506,487 | 7,439,089 | 6,406,631 |
| Contribution deficiency (excess): | $ - | $ - | $ - | $ - | $ - |
| SBCSS's covered-employee payroll | $ 77,000,000 | $ 73,000,000 | $ 68,000,000 | $ 62,000,000 | $ 54,000,000 |
| Contributions as a percentage of covered-employee payroll | 18.060% | 15.530% | 13.890% | 11.850% | 11.770% |

*See accompanying notes to required supplementary information.*

## 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, 2024*

Last Ten Fiscal Years*

| Employer Fiscal Year<br>Measurement Period | 2023-24<br>2022-23 | 2022-23<br>2021-22 | 2021-22<br>2020-21 | 2020-21<br>2019-20 | 2019-20<br>2018-19 | 2018-19<br>2017-18 | 2017-18<br>2016-17 |
|---|---|---|---|---|---|---|---|
| **Total OPEB liability** | | | | | | | |
| Service cost | $ 1,655,662 | $ 1,991,379 | $ 1,977,122 | $ 1,572,720 | $ 1,049,269 | $ 1,068,122 | $ 1,039,535 |
| Interest | 824,854 | 528,241 | 461,591 | 593,666 | 477,982 | 452,676 | 384,495 |
| Differences between expected and actual experience | (3,849,785) | (8,167) | 2,249,020 | - | (2,179,515) | - | - |
| Changes of assumptions or other inputs | (971,872) | (2,711,922) | (180,285) | 2,006,156 | 5,411,926 | (294,659) | - |
| Benefit payments | (1,089,711) | (683,815) | (694,392) | (710,416) | (565,525) | (535,981) | (515,366) |
| **Net change in total OPEB liability** | (3,430,852) | (884,284) | 3,813,056 | 3,462,126 | 4,194,137 | 690,158 | 908,664 |
| **Total OPEB liability - beginning** | 22,921,636 | 23,805,920 | 19,992,864 | 16,530,738 | 12,336,601 | 11,646,443 | 10,737,779 |
| **Total OPEB liability - ending** | $ 19,490,784 | $ 22,921,636 | $ 23,805,920 | $ 19,992,864 | $ 16,530,738 | $ 12,336,601 | $ 11,646,443 |
| **Covered payroll** | $ 152,637,350 | $ 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** | 12.77% | 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, 2024*

Last Ten Fiscal Years*

| Employer Fiscal Year<br>Measurement Period | **2023-24**<br>**2022-23** | **2022-23**<br>**2021-22** | **2021-22**<br>**2020-21** | **2020-21**<br>**2019-20** | **2019-20**<br>**2018-19** | **2018-19**<br>**2017-18** | **2017-18**<br>**2016-17** |
|---|---|---|---|---|---|---|---|
| SBCSS's proportion of net OPEB liability | 0.1471% | 0.1484% | 0.1530% | 0.1532% | N/A | N/A | N/A |
| SBCSS's proportionate share of net OPEB liability | $ 446,384 | $ 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 | N/A |
| Plan fiduciary net position as a percentage of the total OPEB liability | (0.96%) | (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 3.54 percent to 3.65 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 3.54 percent to 3.65 percent since the previous valuation.

# *Supplementary Information*

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## SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

*Schedule of Average Daily Attendance*
*For the Fiscal Year Ended June 30, 2024*

| | Second Period | Annual |
|---|---|---|
| **Juvenile Court Schools ADA** | | |
| Juvenile Halls, Homes and Camps | | |
| Elementary | 4.62 | 7.71 |
| High School | 150.46 | 150.68 |
| **County Funded Non-Juvenile Court Schools ADA** | | |
| Probation Referred, On Probation or Parole, Expelled | | |
| Pursuant to EC 48915(a) or (c) | | |
| Elementary | 63.93 | 73.00 |
| High School | 309.50 | 322.25 |
| Sub-Totals | 373.43 | 395.25 |
| **Total ADA** | 528.51 | 553.64 |
| **Adults in Correctional Facilities** | 152.44 | 169.07 |

| | Second Period | Annual |
|---|---|---|
| **District Funded County Programs** | | |
| Special Education - Special Day Class | | |
| Grades TK-3 | 590.01 | 600.56 |
| Grades 4-6 | 263.69 | 268.02 |
| Gades 7-8 | 137.51 | 135.62 |
| Grades 9-12 | 442.23 | 438.39 |
| Sub-Totals | 1,433.44 | 1,442.59 |
| Extended Year Special Education | | |
| Grades TK-3 | 19.72 | 21.83 |
| Grades 4-6 | 7.94 | 8.34 |
| Gades 7-8 | 3.68 | 5.91 |
| Grades 9-12 | 12.15 | 16.53 |
| Sub-Totals | 43.49 | 52.61 |
| County and School Tuition Fund | | |
| Grades TK-3 | 0.55 | 0.64 |
| Grades 4-6 | 1.44 | 1.54 |
| Gades 7-8 | 0.84 | 0.84 |
| Grades 9-12 | 29.57 | 29.02 |
| Sub-Totals | 32.40 | 32.04 |
| **Total ADA** | 1,509.33 | 1,527.24 |
| **SELPA ADA Allocation** | | |
| Desert/Mountian | 1,164.53 | 1,174.87 |
| East Valley | 399.10 | 418.34 |
| West End | 474.21 | 478.88 |
| | 2,037.84 | 2,072.09 |

*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, 2024*

| County School Service Fund | (Budget) 2025 [2] | 2024 [3] | 2023 | 2022 |
|---|---|---|---|---|
| Revenues and other financing sources | $ 478,770,738 | $ 494,991,176 | $ 404,700,565 | $ 364,385,672 |
| Expenditures | 478,457,873 | 449,949,651 | 375,545,337 | 325,801,505 |
| Other uses and transfers out | 28,385 | 12,673,862 | 11,746,146 | 1,512,000 |
| Total outgo | 478,486,258 | 462,623,513 | 387,291,483 | 327,313,505 |
| Change in fund balance (deficit) | 284,480 | 32,367,663 | 17,409,082 | 37,072,167 |
| Ending fund balance | $ 184,122,308 | $ 183,837,828 | $ 151,470,165 | $ 142,415,498 |
| Available reserves [1] | $ 51,698,708 | $ 9,255,803 | $ 8,250,000 | $ 7,500,000 |
| Available reserves as a percentage of total outgo | 10.8% | 2.0% | 2.1% | 2.3% |
| Total long-term debt | $ 284,850,766 | $ 286,182,435 | $ 283,644,363 | $ 187,088,195 |
| Average daily attendance at P-2 | 2,206 | 2,190 | 1,969 | 1,901 |

The County School Service Fund balance has increased by $41.3 million over the past two years. The fiscal year 2024-25 budget projects an increase of $0.3 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, and anticipates an operating surplus during the upcoming fiscal year. Long-term debt has increased by $99.1 million over the past two years.

Average daily attendance increased by 289 ADA compared to 2021-22.
Budgeted ADA for 2024-25 is 2,206.

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

[2] As of September, 2024.

[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.

**SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS**
*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements*
*For the Fiscal Year Ended June 30, 2024*

***There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.***

## SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

*Schedule of Charter Schools*

*For the Fiscal Year Ended June 30, 2024*

| 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 |
| Inland Empire Springs Charter School* | 2146 | No |

**scheduled to start serving students 7/1/2024*

# SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

*Schedule of Expenditures of Federal Awards*

*For the Fiscal Year Ended June 30, 2024*

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Sub-total Expenditures | Federal Expenditures |
|---|---|---|---|---|
| U.S. Department of Agriculture: | | | | |
| Passed through California Dept. of Education (CDE): | | | | |
| Forest Service Schools and Roads Cluster | 10.665 | N/A | | $ 412,185 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program: Nutrition Education and Obesity Prevention | 10.561 | N/A | | 753,599 |
| Total U.S. Department of Agriculture: | | | | 1,165,784 |
| U.S. Department of Labor: | | | | |
| Passed through California Dept. of Education (CDE): | | | | |
| Workforce Innovation and Opportunity Act Youth Activities Cluster | 17.259 | 10055 | | 1,288,214 |
| 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 | 3,621,709 | |
| Title I, Part D, Local Delinquent Programs | 84.010 | 14357 | 1,535,285 | |
| School Improvement Funding for LEAs | 84.010 | 15438 | 408,456 | |
| School Improvement Funding for COEs | 84.010 | 15439 | 913,733 | |
| Total Title I Grants | | | | 6,479,183 |
| Title II, Part A, Supporting Effective Instruction State Grant | 84.367 | 14341 | | 80,350 |
| Title II, Comprehensive Literacy State Development (CLSD) Grant | 84.371 | 15493 | | 1,877,214 |
| Title III, English Learner Student Program | 84.365 | 14346 | | 91,641 |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | | 204,632 |
| Title IV, Part B, 21st Century Community Learning Centers Program | 84.287 | 14681 | | 215,410 |
| Title IX, Part A, McKinney-Vento Homeless Assistance Grants | 84.196 | 14332 | | 360,251 |
| Carl D. Perkins Career and Technical Education: Adult, Section 132 | 84.048 | 14894 | | 228,239 |
| Individuals with Disabilities Education Act (IDEA): | | | | |
| Special Education Cluster: | | | | |
| Local Assistance Entitlement, Part B, Sec 611 | 84.027 | 13379 | 58,816,954 | |
| IDEA Local Assistance, Part B, Sec 611, Private School ISPs | 84.027 | 10115 | 152,998 | |
| IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5) | 84.173 | 13430 | 1,062,766 | |
| IDEA Preschool Capacity Building, Part B, Sec 619 | 84.173A | 13839 | 171,875 | |
| IDEA Mental Health Average Daily Attendance Allocation, Part B, Sec 611 | 84.027A | 15197 | 22,888 | |
| Sp Ed Preschool Staff Development | 84.173A | 13431 | 11,134 | |
| Sp Ed Alternate Dispute Resolution, Part B, Sec 611 | 84.173A | 13007 | 93,409 | |
| Total Special Education Cluster | | | | 60,332,024 |
| Early Intervention Grants | 84.181 | 23761 | | 161,253 |
| Passed through the California Department of Rehabilitation: | | | | |
| Workability II, Transition Partnership Program | 84.126 | 10006 | | 3,586,026 |
| Passed through California Dept. of Education (CDE): | | | | |
| COVID-19 Education Stabilization Fund: | | | | |
| Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 84.425D | 15547 | 1,175,107 | |
| Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 84.425U | 15559 | 6,992,425 | |
| Elementary and Secondary School Emergency Relief III Fund: Learning Loss | 84.425U | 10155 | 1,557,141 | |
| Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve | 84.425D | 15618 | 472,852 | |
| ELO Grant GEER II | 84.425C | 15619 | 65,118 | |
| ELO Grant: ESSER III State Reserve, Emergency Needs | 84.425U | 15620 | 305,068 | |
| ELO Grant: ESSER III State Reserve, Learning Loss | 84.425U | 15621 | 690,538 | |
| American Rescue Plan-Homeless Children and Youth (ARP - Homeless I) | 84.425U | 15564 | 474,656 | |
| ARP Homeless Children and Youth - Statewide Activities | 84.425U | 15636 | 235,896 | |
| American Rescue Plan - Homeless Children and Youth II | 84.425U | 15566 | 6,015 | |
| Subtotal Education Stabilization Fund | | | | 11,974,816 |
| Total U.S. Department of Education | | | | 85,591,039 |
| U.S. Department of Health & Human Services: | | | | |
| COVID-19 Public Health Workforce Supplemental Funding | 93.354 | N/A | | 4,818 |
| Substance Abuse and Mental Health Services Projects | 93.243 | N/A | | 28,719 |
| Passed through California Dept. of Education: | | | | |
| Child Care Development Fund Cluster: | | | | |
| Child Development Local Planning Councils | 93.575 | 13946 | 31,187 | |
| Child Development: Quality Improvement Activities | 93.575 | 14130 | 1,089,416 | |
| COVID-19 ARP California State Preschool Program One-time Stipend | 93.575 | 15640 | 139,005 | |
| Total Child Care Development Fund Cluster | | | | 1,259,608 |
| Total U.S. Department of Health & Human Services | | | | 1,293,145 |
| Total Expenditures of Federal Awards | | | | $ 89,338,182 |

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 | $ 55,768,895 |
| IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5) | 84.173 | 504,429 |
| Sp Ed Preschool Staff Development | 84.173A | 2,943 |
| Early Intervention Grants | 84.181 | 14,436 |
| Forest Reserve | 10.665 | 324,922 |
| Total | | $ 56,615,625 |

## 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 | | $ 89,199,177 |
| Differences between Federal Revenues and Expenditures: | | |
| COVID-19 ARP California State Preschool Program One-time Stipend | 93.575 | 139,005 |
| Total Schedule of Expenditures of Federal Awards | | $ 89,338,182 |

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# *Other Information*

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## SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS

*Local Educational Agency Organization Structure*
*June 30, 2024*

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 Plan Areas.

**SAN BERNARDINO COUNTY BOARD OF EDUCATION**
**As of June 30, 2024**

| Member | Office | Term Expires |
|---|---|---|
| Laura Abernathy Mancha | President | November 2024 |
| Dr. Gwendolyn Dowdy-Rodgers | Vice President | November 2026 |
| Andrea De Leon | Trustee | November 2024 |
| 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*

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# *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, 2024, and the related notes to the financial statements, which collectively comprise the SBCSS's basic financial statements, and have issued our report thereon dated November 6, 2024.

**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 or significant deficiencies may exist that were not 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
MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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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
November 6, 2024

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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, 2024. 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, 2024.

***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 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
MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
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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.

Nigro & Nigro, PC

Murrieta, California
November 6, 2024

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**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER 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 *2023-24 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, 2024.

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, 2024.

***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 *2023-24 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

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
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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 2023-24 *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 *2023-24 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 *2023-24 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 |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| Home to School Transportation Reimbursement | Yes |

| Description | Procedures Performed |
|---|---|
| **School Districts, County Offices of Education, and Charter Schools:** | |
| Proposition 28 Arts and Music in Schools | 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 |
| Expanded Learning Opportunities Program | Not Applicable |
| 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 *2023-24 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
November 6, 2024

# *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, 2024*

***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 |
| Noncompliance material to financial statements noted? | No |

***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 |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $ 2,680,145 |
| 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 2023-24.***

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 2023-24.***

**SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS**
*State Award Findings and Questioned Costs*
*For the Fiscal Year Ended June 30, 2024*

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 2023-24.***

**SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS**
*Summary Schedule of Prior Audit Findings*
*For the Fiscal Year Ended June 30, 2024*

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