



Financial Statements
June 30, 2024

Santa Cruz County Superintendent of Schools

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Independent Auditor's Report

To the Governing Board
Santa Cruz County Superintendent of Schools
Santa Cruz, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Cruz County Superintendent of Schools (the County) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County'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 the Santa Cruz County Superintendent of Schools, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, 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 County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County'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 County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the County's net OPEB liability and related ratios, schedule of the County's proportionate share of the net OPEB liability – MPP program, schedule of the County's proportionate share of the net pension liability, and schedule of

the County's contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency 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 be 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 December 16, 2024 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 County'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 County's internal control over financial reporting and compliance.

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

Fresno, California
December 16, 2024



Introduction

This section of Santa Cruz County Superintendent of Schools (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2024 with comparative information for the year ended June 30, 2023. Please read it in conjunction with the County's financial statements, which immediately follow this section.

Financial Highlights

- Total net position was \$39,907,158 on June 20, 2024.
- Overall revenues for the County were \$86,457,445 while expenditures were \$78,083,330.
- The total long-term obligations other than OPEB and pension were \$7,143,572, which primarily includes \$6,612,042 of a leaseback financing agreement.

Overview of Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These sections together provide a comprehensive overview of the Santa Cruz County Superintendent of Schools. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position using the economic resources measurement focus and accrual basis of accounting.
- **Fund financial statements** focus on reporting the individual parts of the County operations in more detail. The fund financial statements include statements for two categories of activities: governmental and fiduciary.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending. The statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
 - **Fiduciary fund** statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources belong. The statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Statements

The government-wide statements report information about the County as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how it has changed. Net position – the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way to measure the County's financial health or position. Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the County include government activities. Most of the County's basic services are included here, such as regular education, food service, maintenance, and general administration. Property taxes, interest income, user fees, federal, state, and local grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Education establishes other funds to control and manage money for particular purposes or to show that the County is meeting legal responsibilities for using certain revenues. The County has two kinds of funds:

Governmental funds - Most of the County'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 in the determination of whether there are more, or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the reconciliation schedules of the government funds statement that explains the relationship (or differences) between them.

Fiduciary fund - The County is the custodian for assets that belong to the Michael Watkins Scholarship Fund. The County is responsible to distribute the scholarships as directed by a committee of community members outside the County's employ. The County's fiduciary fund reports custodial activities in a separate statement of fiduciary net position. We exclude these activities from the County-wide financial statements because the County cannot use the assets to finance its operations.

Financial Analysis of the Entity as A Whole

Net Position

The County's net position was \$39,907,158 for the fiscal year ended June 30, 2024. Of this amount, \$14,599,585 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the County's governmental activities.

Table 1

	Governmental Activities	
	2024	2023
Assets		
Current and other assets	\$ 69,619,535	\$ 54,800,789
Capital assets	21,147,849	22,255,840
Total assets	90,767,384	77,056,629
Deferred Outflows of Resources	19,136,620	17,476,078
Liabilities		
Current liabilities	12,424,231	8,082,726
Long-term liabilities	52,279,561	49,805,762
Total liabilities	64,703,792	57,888,488
Deferred Inflows of Resources	5,293,054	5,111,176
Net Position		
Net investment in capital assets	14,479,694	15,125,221
Restricted	10,827,879	9,139,003
Unrestricted	14,599,585	7,268,819
Total net position	<u>\$ 39,907,158</u>	<u>\$ 31,533,043</u>

The \$39,907,158 in total net position of governmental activities represents the accumulated results of all past years’ operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$7,330,766.

Changes in Net Position

The results of this year’s operations for the County as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2024	2023
Revenues		
Program revenues		
Charges for services and sales	\$ 8,434,443	\$ 7,551,257
Operating grants and contributions	29,101,840	27,424,607
Capital grants and contributions	29,083	1,122,340
General revenues		
Federal and State aid not restricted	27,917,475	23,015,945
Property taxes and other taxes	17,370,544	16,606,166
Other general revenues	3,604,060	3,675,696
Total revenues	<u>86,457,445</u>	<u>79,396,011</u>
Expenses		
Instruction-related	40,252,895	32,429,079
Pupil services	6,626,446	5,916,059
Administration	9,586,013	8,858,762
Plant services	4,751,364	3,951,790
All other services	16,866,612	19,582,250
Total expenses	<u>78,083,330</u>	<u>70,737,940</u>
Change in net position	<u>\$ 8,374,115</u>	<u>\$ 8,658,071</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$78,083,330. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$17,370,544 because the cost was paid by those who benefited from the programs of \$8,434,443 or by other governments and organizations who subsidized certain programs with grants and contributions of \$29,101,840 and capital grants and contributions of \$29,083. We paid for the remaining “public benefit” portion of our governmental activities with \$31,521,535 in Federal and State funds, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the County’s largest functions: instruction-related including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2024	2023	2024	2023
Instruction-related	\$ 40,252,895	\$ 32,429,079	\$ (21,726,970)	\$ (18,010,080)
Pupil services	6,626,446	5,916,059	(2,395,681)	(1,925,477)
Administration	9,586,013	8,858,762	(7,804,873)	(6,593,153)
Plant services	4,751,364	3,951,790	(3,094,461)	(2,963,892)
All other services	16,866,612	19,582,250	(5,495,979)	(5,147,134)
Total	\$ 78,083,330	\$ 70,737,940	\$ (40,517,964)	\$ (34,639,736)

Financial Analysis of the County's Funds

The positive financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance (modified accrual reporting method) of \$54,008,786.

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2023	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2024
General	\$ 39,560,526	\$ 73,366,788	\$ 71,801,204	\$ 41,126,110
Charter Schools	1,582,829	2,852,937	2,607,096	1,828,670
Special Education Pass-Through	1,376,835	8,703,700	9,883,386	197,149
Child Development	146,115	1,614,008	1,562,543	197,580
Cafeteria	45,638	228,288	185,737	88,189
County School Facilities	737,924	36,822	111,902	662,844
Special Reserve Fund for Capital Outlay Projects	-	3,347,654	-	3,347,654
Debt Service	2,254,057	4,931,288	624,755	6,560,590
Total	\$ 45,703,924	\$ 95,081,485	\$ 86,776,623	\$ 54,008,786

General Fund Budgetary Highlights

Over the course of the year, the County revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 20, 2024. (A schedule showing the County's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.)

Capital Assets and Long-Term Liabilities

Capital Assets

On June 30, 2024, the County had invested \$21,147,849 (net of depreciation and amortization expenses) in a broad range of capital assets and right-to-use leased assets, including land, buildings, and furniture and equipment, and right-to-use leased assets, (see Table 5 below). This year's additions included an on-going construction project, a truck trailer, a van and seven Chrysler Pacificas. More detailed information about the County's capital assets is presented in the notes to the financial statements.

Table 5

	Governmental Activities	
	2024	2023
Land and construction in progress	\$ 4,230,406	\$ 4,165,479
Buildings and improvements	15,947,379	17,185,668
Equipment	915,795	791,221
Right-to-use leased assets	54,269	113,472
 Total	 <u>\$ 21,147,849</u>	 <u>\$ 22,255,840</u>

Long-Term Liabilities

At year end, the County had \$52,279,561 in long-term liabilities, which consisted of net pension liability, net OPEB liability (MPP), compensated absences, and lease agreements as shown in Table 6. More detailed information about the County's debt is presented in the notes to the financial statements.

Table 6

	Governmental Activities	
	2024	2023
Long-Term Liabilities		
Leaseback financing (funding of COPS)	\$ 6,612,042	\$ 7,017,192
Other leases	56,113	113,427
Compensated absences	475,417	544,089
Net OPEB liability (MPP)	88,865	89,888
Aggregate net pension liability	45,047,124	42,041,166
 Total	 <u>\$ 52,279,561</u>	 <u>\$ 49,805,762</u>

The County reported deferred outflows of resources from pension activities of \$16,041,332, and deferred inflows of resources from pension activities of \$3,803,168, which along with the aggregate net pension liability of \$45,047,124, had a negative impact on the County's net position of \$32,808,960.

Significant Accomplishments of Fiscal Year 2023 - 2024 Are Noted Below:

Guided by its mission of supporting equitable achievement for all learners, the Santa Cruz County Office of Education (Santa Cruz COE) continued to support Districts and families throughout the 2023-2024 fiscal year. This work included providing new programs and expanded services in the areas of school safety, health and wellness, educator recruitment and retention, adult learning services, STEAM education, and more.

School Safety: The Santa Cruz COE spearheaded the development of the Santa Cruz County Standard Command Response for Schools (SCRS), a uniform approach to school safety emergency response first implemented in the 2023-2024 school year. SCRS was adopted by the majority of law enforcement agencies, fire departments, and school districts within Santa Cruz County, with the goal of fully aligning emergency response procedures to facilitate clear communication and efficient response to any emergency impacting a school site.

Health and Wellness: The Santa Cruz COE expanded its initiatives to combat the opioid crisis through community engagement and resource distribution. Efforts included hosting screenings of a student-produced film highlighting the impact of the opioid epidemic, accompanied by expert panel discussions. The events provided attendees with critical resources, such as bilingual educational materials and naloxone, to raise awareness and equip families with life-saving tools. The Santa Cruz COE also collaborated with partners to distribute resources to incoming high school families and facilitate naloxone training sessions across the county.

Adult Learning Services: The Santa Cruz COE launched the Wildland Fire Academy in 2023-2024, in partnership with CAL FIRE and the California Conservation Corps, to prepare adult students for entry-level wildfire management roles. This intensive six-week program combined classroom instruction and field training in fire suppression techniques, equipment use, and certifications meeting CAL FIRE and National Wildfire Coordinating Group standards. Two cohorts successfully completed the program in its inaugural year.

STEAM Education: The Santa Cruz COE launched a countywide robotics club in partnership with the nonprofit X Academy, providing free, hands-on robotics and engineering experience to students from across Santa Cruz County. In its inaugural year, the program engaged 52 students from 17 schools, supported by 14 volunteer mentors. The club achieved remarkable success, with a student team earning 3rd Place at the MATE ROV Competition World Championship, showcasing their skills in engineering, programming, and technical innovation through real-world environmental challenges.

Educator Pathway: The Santa Cruz COE launched the Educator's Professional Advancement and Teaching Hub (ed.PATH), an initiative designed to support and inspire educators through professional development, wellness resources, and career advancement opportunities. ed.PATH provides programs such as scholarships for classified employees pursuing teaching credentials, free or low-cost professional development, personalized guidance for becoming a credentialed teacher, and a focus on educator wellness. The initiative fosters a dynamic educational ecosystem that equips educators to excel and remain passionate in their profession, while a monthly newsletter keeps participants informed of the latest opportunities and resources.

Economic Factors and Next Year's Budgets

Fiscal year 2023-2024 marked the second year that the Santa Cruz COE received funded COLA on the Local Control Funding Formula as well as certain State categorical programs. In addition, relief for declining ADA was made available in the 2023-2024 fiscal year as the State included the three prior year rolling average protection for all COEs. The relief provides the COE with the opportunity to adjust expenditures in conjunction with a "soft landing" due to declining enrollment. The Santa Cruz COE will continue to make strategic changes to programs and pursue grant funding in order to be able to continue to offer programs that were previously funded under Categorical programs. These changes have enabled the Santa Cruz COE to offer compensation that allows it to continue to attract highly qualified teachers and staff by continuing to be competitive in the market.

County wide enrollment continues to decline, thereby impacting the calculation of revenue for the Santa Cruz COE. The COE's programs, however, remain strong and are in some instances seeing increased enrollment in both the Career Advancement Charter as well as Alternative Education.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Liann Reyes, Deputy Superintendent, Business Services, at (831) 466-5601.

Santa Cruz County Superintendent of Schools

Statement of Net Position

June 30, 2024

	Governmental Activities
Assets	
Deposits and investments	\$ 53,376,097
Receivables	13,055,458
Prepaid expense	1,462
Other current assets - other postemployment benefits plan asset	3,186,518
Capital assets not depreciated or amortized	4,230,406
Capital assets, net of accumulated depreciation and amortization	16,917,443
Total assets	90,767,384
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	3,095,288
Deferred outflows of resources related to pensions	16,041,332
Total deferred outflows of resources	19,136,620
Liabilities	
Accounts payable	11,900,256
Unearned revenue	523,975
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	474,229
Long-term liabilities other than OPEB and pensions due in more than one year	6,669,343
Net other postemployment benefits liability (OPEB) - MPP	88,865
Aggregate net pension liabilities	45,047,124
Total liabilities	64,703,792
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	1,489,886
Deferred inflows of resources related to pensions	3,803,168
Total deferred inflows of resources	5,293,054
Net Position	
Net investment in capital assets	14,479,694
Restricted for	
Capital projects	662,844
Educational programs	10,076,846
Child nutrition	88,189
Unrestricted	14,599,585
Total net position	\$ 39,907,158

Santa Cruz County Superintendent of Schools

Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 22,846,035	\$ 675,904	\$ 10,875,501	\$ 29,083	\$ (11,265,547)
Instruction-related activities					
Supervision of instruction	11,233,309	2,886,691	2,673,071	-	(5,673,547)
Instructional library, media, and technology	1,195,813	-	207,801	-	(988,012)
School site administration	4,977,738	259,410	918,464	-	(3,799,864)
Pupil services					
Food services	185,737	285	174,947	-	(10,505)
All other pupil services	6,440,709	1,232,272	2,823,261	-	(2,385,176)
Administration					
Data processing	2,193,624	7,228	30,955	-	(2,155,441)
All other administration	7,392,389	386,429	1,356,528	-	(5,649,432)
Plant services	4,751,364	1,033,113	623,790	-	(3,094,461)
Ancillary services	26,436	12,300	4,798	-	(9,338)
Community services	3,207,892	1,072,427	1,885,070	-	(250,395)
Interest on long-term liabilities	219,605	-	-	-	(219,605)
Other outgo	13,412,679	868,384	7,527,654	-	(5,016,641)
Total governmental activities	\$ 78,083,330	\$ 8,434,443	\$ 29,101,840	\$ 29,083	(40,517,964)
General Revenues and Subventions					
Property taxes, levied for general purposes					16,224,676
Taxes levied for other specific purposes					1,145,868
Federal and State aid not restricted to specific purposes					27,917,475
Interest, investment earnings and fair value adjustments					1,964,894
Miscellaneous					1,639,166
Subtotal, general revenues and subventions					48,892,079
Change in Net Position					8,374,115
Net Position - Beginning					31,533,043
Net Position - Ending					\$ 39,907,158

Santa Cruz 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	\$ 40,571,522	\$ 1,031,623	\$ 11,772,952	\$ 53,376,097
Receivables	7,427,982	4,928,647	698,829	13,055,458
Due from other funds	425,332	-	995,364	1,420,696
Prepaid expenditures	1,462	-	-	1,462
Total assets	\$ 48,426,298	\$ 5,960,270	\$ 13,467,145	\$ 67,853,713
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 5,889,377	\$ 5,680,305	\$ 330,574	\$ 11,900,256
Due to other funds	995,364	82,816	342,516	1,420,696
Unearned revenue	415,447	-	108,528	523,975
Total liabilities	7,300,188	5,763,121	781,618	13,844,927
Fund Balances				
Nonspendable	1,462	-	-	1,462
Restricted	9,358,346	197,149	1,272,384	10,827,879
Committed	1,186,095	-	6,560,590	7,746,685
Assigned	27,209,082	-	4,852,553	32,061,635
Unassigned	3,371,125	-	-	3,371,125
Total fund balances	41,126,110	197,149	12,685,527	54,008,786
Total liabilities and fund balances	\$ 48,426,298	\$ 5,960,270	\$ 13,467,145	\$ 67,853,713

Santa Cruz County Superintendent of Schools
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balance - Governmental Funds		\$ 54,008,786
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 37,108,559	
Accumulated depreciation and amortization is	<u>(15,960,710)</u>	
Net capital assets		21,147,849
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB)	3,095,288	
Net pension liability	<u>16,041,332</u>	
Total deferred outflows of resources to pensions		19,136,620
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(1,489,886)	
Net pension liability	<u>(3,803,168)</u>	
Total deferred inflows of resources to pensions		(5,293,054)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(45,047,124)
The County's OPEB net plan asset (liability) is not due and payable in the current period, and is not reported as a liability in the funds.		
		3,097,653
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
Leaseback financing	(6,612,042)	
Other leases	(56,113)	
Compensated absences (vacations)	<u>(475,417)</u>	
Total long-term liabilities		<u>(7,143,572)</u>
Total net position - governmental activities		<u><u>\$ 39,907,158</u></u>

Santa Cruz County Superintendent of Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula (LCFF)	\$ 38,240,954	\$ -	\$ 2,024,361	\$ 40,265,315
Federal sources	5,347,278	4,819,271	624,051	10,790,600
Other State sources	12,866,279	3,726,483	1,370,805	17,963,567
Other local sources	16,912,277	157,946	540,584	17,610,807
Total revenues	<u>73,366,788</u>	<u>8,703,700</u>	<u>4,559,801</u>	<u>86,630,289</u>
Expenditures				
Current				
Instruction	21,017,260	-	1,628,074	22,645,334
Instruction-related activities				
Supervision of instruction	10,952,239	-	396,696	11,348,935
Instructional library, media, and technology	1,144,607	-	8,549	1,153,156
School site administration	4,563,624	-	488,348	5,051,972
Pupil services				
Food services	-	-	185,737	185,737
All other pupil services	6,474,814	-	51,932	6,526,746
Administration				
Data processing	2,225,737	-	-	2,225,737
All other administration	6,943,387	-	141,863	7,085,250
Plant services	4,644,087	-	-	4,644,087
Ancillary services	26,436	-	-	26,436
Community services	1,771,210	-	1,454,177	3,225,387
Facility acquisition and construction	-	-	111,902	111,902
Debt service				
Principal	57,314	-	405,150	462,464
Interest and other	-	-	219,605	219,605
Total expenditures	<u>59,820,715</u>	<u>-</u>	<u>5,092,033</u>	<u>64,912,748</u>
Excess of Revenues Over Expenditures	<u>13,546,073</u>	<u>8,703,700</u>	<u>(532,232)</u>	<u>21,717,541</u>
Other Financing Sources (Uses)				
Transfers in	-	-	8,451,196	8,451,196
Transfers out	(8,451,196)	-	-	(8,451,196)
Other uses, payment to other agencies	(3,529,293)	(9,883,386)	-	(13,412,679)
Net Financing Sources (Uses)	<u>(11,980,489)</u>	<u>(9,883,386)</u>	<u>8,451,196</u>	<u>(13,412,679)</u>
Net Change in Fund Balances	1,565,584	(1,179,686)	7,918,964	8,304,862
Fund Balance - Beginning	<u>39,560,526</u>	<u>1,376,835</u>	<u>4,766,563</u>	<u>45,703,924</u>
Fund Balance - Ending	<u>\$ 41,126,110</u>	<u>\$ 197,149</u>	<u>\$ 12,685,527</u>	<u>\$ 54,008,786</u>

Santa Cruz County Superintendent of Schools

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Funds		\$ 8,304,862
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
<p>Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities.</p> <p>This is the amount by which depreciation and amortization expense exceeds capital outlay in the period.</p>		
Depreciation and amortization expense	\$ (1,534,344)	
Capital outlay	<u>435,746</u>	
Net expense adjustment		(1,098,598)
<p>Gain(Loss) on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.</p>		
		(9,393)
<p>In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) 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). This amount is the difference between vacation earned and used.</p>		
		68,672
<p>In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.</p>		
		(132,318)
<p>In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability/net plan asset during the year.</p>		
		778,426
<p>Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
Leaseback financing		405,150
Other leases		<u>57,314</u>
Change in net position of governmental activities		<u><u>\$ 8,374,115</u></u>

Santa Cruz County Superintendent of Schools
Statement of Net Position – Fiduciary Fund
June 30, 2024

	<u>Custodial Funds</u>
Assets	
Deposits and investments	<u>\$ 2,177</u>
Liabilities	
Total liabilities	<u>\$ -</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 2,177</u>

Santa Cruz County Superintendent of Schools
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2024

	Custodial Funds
Revenues	
Other local sources	\$ -
Expenditures	
Scholarships awarded	-
Net change in fiduciary net position	-
Net Position - Beginning	2,177
Net Position - Ending	\$ 2,177

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

The Santa Cruz County Office of Education (the County) was organized circa 1861 under the laws of the State of California. The County operates under a locally elected seven-member Board and provides educational services to grades K-12 as mandated by the State and/or Federal agencies or local agreements. The County is the administrative unit for one Special Educational Local Plan Area (SELPA) and operates special education classes at nine school sites within the county of Santa Cruz. The County coordinates the Career Technical Education Program, operates Alternative Education programs at nineteen school sites around the county, including four court programs and nineteen community school programs. In addition, the County oversees two charter schools, and offers Medical and Dental Assisting programs for adults wishing to continue their education.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. The County determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

Other Related Entities

Charter Schools The County is the chartering agency for the Pacific Collegiate Charter School (the charter school), a public benefit corporation organized under the Internal Revenue Code Section 501(c)(3). As the chartering agency, County has certain oversight responsibilities to ensure that the charter school is in compliance with applicable charter school laws and regulations. However, the County is not liable for the debts or obligations of the charter school. The Pacific Collegiate Charter School's financial activity is presented in a separate report provided by the Pacific Collegiate Charter School.

The County has an approved charter for Santa Cruz County Career Advancement Charter School pursuant to *Education Code* Section 47605. The Santa Cruz County Career Advancement Charter School is operated by the County, and its financial activities are presented in the Charter School special revenue Fund. The Charter School is not considered a component unit of the County.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

County School Service Fund The County School Service Fund is the chief operating fund for the County. It is used to account for the ordinary operations of the County. All transactions except those accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 11, Adult Education Fund, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the County School Service Fund, and accordingly have been combined with the County School Service Fund for presentation in these audited financial statements.

As a result, the County School Service Fund reflects an increase in fund balance of \$4,499,500.

Special Education Pass-Through Fund A Special Education Pass-Through Fund, a special revenue fund, was established in 2011-12. This fund is used by the Administrative Unit (County) of a multi-Agency Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

Non-Major Governmental Funds

Special Revenue Funds The 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 are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Charter School Fund** The Charter School Fund may be used by authorizing county offices and districts to account separately for the operating activities of county office-operated charter schools that would otherwise be reported in the authorizing County's General Fund.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the County's food service program (*Education Code* Sections 38091 and 38100).

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

- **County School Facilities Fund** The County School Facilities Fund, a capital project fund, is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term liabilities.

Fiduciary Funds Fiduciary funds are the County's custodial funds which are used to hold a scholarship available to Santa Cruz County Superintendent of Schools students that are awarded to the students by a committee of persons outside of the County's employees and administration.

Basis of Accounting - Measurement Focus

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

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

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

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

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County.

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

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

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

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

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

Investments

Investments held at June 30, 2024, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County investment pools are determined by the program sponsor.

The County’s investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Prepaid Expenditures (Expenses)

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

Capital Assets, Depreciation, and Amortization

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

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: land improvements, 5 years; buildings and improvements, 25 years; furniture and equipment, 5-8 years.

The County records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2024

The County records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the government-wide statement of net position.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

However, compensated absences will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Certificates of participation, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

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

Leases

The County recognizes a lease liability and an intangible right-to-use leased asset (leased asset) in the government-wide financial statements. At the commencement of the lease term, the County 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 leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the lease term or useful life of the underlying asset.

Fund Balances - Governmental Funds

As of June 30, 2024, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance

The governing board adopted a minimum fund balance policy for the County School Service Fund in order to protect the local educational agency against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties (includes Fund 17 – Special Reserve Fund for Other Than Capital Outlay Projects) of amounts equal to no less than 5% of County School Service Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external

restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$10,827,879 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Cruz bills and collects the taxes on behalf of the County. Local property tax revenues are recorded when received.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

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

Governmental funds	\$ 53,376,097
Fiduciary funds	<u>2,177</u>
Total deposits and investments	<u><u>\$ 53,378,274</u></u>

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

Cash on hand and in banks	\$ 54,319
Investments	<u>53,323,955</u>
Total deposits and investments	<u><u>\$ 53,378,274</u></u>

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County manages its exposure to interest rate risk by investing in the county pool and/or having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County maintains an investment of \$53,323,955 in the Santa Cruz County Treasury Investment Pool that has an average weighted maturity of 411 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County’s investments in the County Treasury Investment Pool and California Employer’s Retirement Trust are not required to be rated, nor have they been rated as of June 30, 2024.

Note 3 - Receivables

Receivables at June 30, 2024, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	County School Service Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Federal Government Categorical aid	\$ 2,426,425	\$ 4,395,830	\$ 267,679	\$ 7,089,934
State Government LCFF apportionment	31,647	-	8,517	40,164
State grants and entitlements	1,584,061	532,817	306,265	2,423,143
Local Sources	3,385,849	-	116,368	3,502,217
Total	\$ 7,427,982	\$ 4,928,647	\$ 698,829	\$ 13,055,458

Note 4 - Capital Assets

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

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 4,026,778	\$ -	\$ -	\$ 4,026,778
Construction in progress	138,701	64,927	-	203,628
Total capital assets not being depreciated or amortized	<u>4,165,479</u>	<u>64,927</u>	<u>-</u>	<u>4,230,406</u>
Capital assets being depreciated and amortized				
Land improvements	62,422	-	-	62,422
Buildings and improvements	29,775,557	-	-	29,775,557
Furniture and equipment	3,379,001	370,819	(828,051)	2,921,769
Right-to-use leased buildings and improvements	118,405	-	-	118,405
Total capital assets being depreciated and amortized	<u>33,335,385</u>	<u>370,819</u>	<u>(828,051)</u>	<u>32,878,153</u>
Total capital assets	<u>37,500,864</u>	<u>435,746</u>	<u>(828,051)</u>	<u>37,108,559</u>
Accumulated depreciation and amortization				
Land improvements	(57,356)	(3,739)	-	(61,095)
Buildings and improvements	(12,594,955)	(1,234,550)	-	(13,829,505)
Furniture and equipment	(2,587,780)	(236,852)	818,658	(2,005,974)
Right-to-use leased buildings and improvements	(4,933)	(59,203)	-	(64,136)
Total accumulated depreciation and amortization	<u>(15,245,024)</u>	<u>(1,534,344)</u>	<u>818,658</u>	<u>(15,960,710)</u>
Net depreciable and amortizable capital assets	<u>18,090,361</u>	<u>(1,163,525)</u>	<u>(9,393)</u>	<u>16,917,443</u>
Governmental activities capital assets, net	<u>\$ 22,255,840</u>	<u>\$ (1,098,598)</u>	<u>\$ (9,393)</u>	<u>\$ 21,147,849</u>

Santa Cruz County Superintendent of Schools

Notes to Financial Statements

June 30, 2024

Depreciation and amortization expense were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 866,643
Instructional library, media, and technology	44,614
Data processing	2,815
All other administration	475,723
Plant services	<u>144,549</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 1,534,344</u></u>

Note 5 - Interfund Transactions

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable at June 30, 2024, between major and non-major governmental funds are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Funds		
County School Service	\$ 425,332	\$ 995,364
Special Education Pass-Through	-	82,816
Non-Major Governmental Funds		
Charter Schools	30,852	69,484
Child Development	-	273,032
Debt Service	<u>964,512</u>	<u>-</u>
Total	<u><u>\$ 1,420,696</u></u>	<u><u>\$ 1,420,696</u></u>

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

Operating Transfers

Interfund transfers for the year ended June 30, 2024, consisted of the following:

The County School Service Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for future capital outlay costs.	\$ 3,500,000
The County School Service Fund transferred to the Debt Service Non-Major Governmental Fund for future leaseback debt payments.	<u>4,951,196</u>
Total	<u><u>\$ 8,451,196</u></u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2024, consisted of the following:

	<u>County School Service Fund</u>	<u>Special Education Pass-Through Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Vendor payables	\$ 4,929,605	\$ 5,680,305	\$ 253,742	\$ 10,863,652
Salaries and benefits	<u>959,772</u>	<u>-</u>	<u>76,832</u>	<u>1,036,604</u>
Total	<u><u>\$ 5,889,377</u></u>	<u><u>\$ 5,680,305</u></u>	<u><u>\$ 330,574</u></u>	<u><u>\$ 11,900,256</u></u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2024, consists of the following:

	<u>County School Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Federal financial assistance	\$ 104,916	\$ 741	\$ 105,657
State categorical aid	171,785	107,787	279,572
Other local	<u>138,746</u>	<u>-</u>	<u>138,746</u>
Total	<u><u>\$ 415,447</u></u>	<u><u>\$ 108,528</u></u>	<u><u>\$ 523,975</u></u>

Note 8 - Long-Term Obligations Other than OPEB and Pensions

Summary

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

	<u>Balance July 1, 2023</u>	<u>Deductions</u>	<u>Balance June 30, 2024</u>	<u>Due in One Year</u>
Long-Term Liabilities				
Leaseback financing	\$ 7,017,192	\$ (405,150)	\$ 6,612,042	\$ 418,116
Other leases	113,427	(57,314)	56,113	56,113
Compensated absences	544,089	(68,672)	475,417	-
Total	<u>\$ 7,674,708</u>	<u>\$ (531,136)</u>	<u>\$ 7,143,572</u>	<u>\$ 474,229</u>

Payments on the leaseback financing arrangement is paid by the General Fund with contributions being made to the Debt Service Fund. The other leases are paid by the fund using the right-to-use leased asset. The compensated absences will be paid by the fund for which the employee worked.

Leaseback Financing

In May 2007, the Santa Cruz County Office of Education entered into a leaseback agreement with the Public Property Financing Corporation of California to fund the debt service related to certificates of participation issued by the Corporation in the amount of \$11,605,000 with interest rates ranging from 3.60 to 4.62%. During June 2016, the certificates of participation were refinanced in the amount of \$9,510,983 with interest rates of 3.175%. Interest with respect to the Certificates will be payable semiannually on each June 1 and December 1, commencing December 15, 2016, and maturing on June 15, 2037. As of June 30, 2024, the principal balance outstanding was \$6,612,042. The County's lease payments are inline and equal to the Corporation's scheduled principal and interest payments due on the Certificates are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 418,116	\$ 206,640	\$ 624,756
2026	431,496	193,259	624,755
2027	445,305	179,450	624,755
2028	459,556	165,200	624,756
2029	474,262	150,493	624,755
2030-2034	2,608,923	514,854	3,123,777
2035-2037	1,774,384	99,883	1,874,267
Total	<u>\$ 6,612,042</u>	<u>\$ 1,509,779</u>	<u>\$ 8,121,821</u>

Santa Cruz County Superintendent of Schools

Notes to Financial Statements

June 30, 2024

Leases

The County has entered into agreements to lease various facilities. The County’s liability on lease agreements is summarized below:

Lease	Leases Outstanding July 1, 2023	Payments	Leases Outstanding June 30, 2024
Cabrillo College - Oasis - 2023-2025	\$ 113,427	\$ (57,314)	\$ 56,113

Cabrillo College - Oasis

The County has entered into an agreement to lease several rooms (351, 353, 354, 357, 358, 359, and 360) in Building 350 on the Aptos campus, approximately 2,947 square feet. The lease began June 1, 2021 and ends May 31, 2023 and entered into a new lease beginning June 1, 2023 and ends May 31, 2025. Under the terms of the lease the County will make monthly payments of \$4,787 (from June 1, 2022 to May 31, 2023) and payments of \$4,978 (from June 1, 2023 to May 31, 2024) increasing 4.0 percent on June 1, 2024. The annual interest rate charged to the lease is 3.0 percent. At June 30, 2024, the County has recognized right-to-use leased asset of \$118,405 and a total lease liability of \$56,113 related to the lease agreement. During the fiscal year, the County recorded \$59,203 in amortization expense and \$57,314 in principal and \$2,622 in interest payments for the right-to-use the rooms in Building 350.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2024, are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 56,113	\$ 845	\$ 56,958

Compensated Absences

Compensated absences (unpaid employee vacation) for the County at June 30, 2024, amounted to \$475,417.

Note 9 - Other Post Employment Benefit (OPEB) Plan Asset/Liability

For the fiscal year ended June 30, 2024, the County reported net OPEB plan asset/liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB (Asset) Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
County Plan	\$ (3,186,518)	\$ 3,095,288	\$ 1,489,886	\$ 363,956
Medicare Premium Payment (MPP) Program	<u>88,865</u>	<u>-</u>	<u>-</u>	<u>(1,023)</u>
Total	<u>\$ (3,097,653)</u>	<u>\$ 3,095,288</u>	<u>\$ 1,489,886</u>	<u>\$ 362,933</u>

The details of each plan are as follows:

County Plan

Plan Administration

The County’s Postemployment Benefits Plan (the Plan) is administered by the California Public Employees’ Retirement System (CalPERS). The Plan is an agent multi-employer plan defined benefit plan. CalPERS administers the Plan through the California Employer’s Retiree Benefit Trust (CERBT). Audited financial statements can be found at www.calpers.ca.gov.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	61
Active employees	<u>272</u>
Total	<u><u>333</u></u>

Benefits Provided

The Plan provides medical, dental and vision insurance benefits (no vision benefits for classified) to eligible retirees and their dependents (no dependent coverage for Classified [includes Confidential] unless hired prior to July 1, 1999). One year of benefits for 2 years of service but not beyond age 65 for Certificated (if hired prior to July 1, 1999, Classified not limited to age 65 and Management receives lifetime coverage). Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan capped at HMO rate. The County’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of the Plan members and the County are established and may be amended by the County, the Santa Cruz County Education Association/CTA/NEA (SCCEA/CTA/NEA), the local California School Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the County, SCCEA/CTA/NEA, CSEA, and the unrepresented groups. The County contributed \$1,219,130 to the Plan for fiscal year 2023-2024, including \$98,380 in an implicit rate subsidy credit and \$1,125,750 was used for premium payments.

Investment

Investment Policy

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the County to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board’s adopted asset allocation policy as of June 30, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>
All Equities	0.59
All Fixed Income	0.25
Treasury Inflation Protected Securities	0.05
US Real Estate	0.08
All Commodities	0.03

Net OPEB Plan Asset of the County

The County’s net OPEB plan asset of \$3,186,518 was measured and valued as of June 30, 2023. The components of the net OPEB plan asset of the County at June 30, 2024, were as follows:

Total OPEB liability	\$ 8,877,840
Plan fiduciary net position	<u>(12,064,358)</u>
Net OPEB plan asset	<u>\$ (3,186,518)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>135.89%</u>

Actuarial Assumptions

The total OPEB plan asset in the June 30, 2023, actuarial measurement was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Investment rate of return	6.75%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00% for 2024

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2023, valuation relating to retirement and turnover were based on STRS 2020 and PERS 2021 retirement and turnover rate tables.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, (see the discussion of the Plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
All Equities	7.5450%
All Fixed Income	4.2500%
Treasury Inflation Protected Securities	3.0000%
US Real Estate	7.2500%
All Commodities	7.5450%

Discount Rate

The discount rate used to measure the total OPEB net plan asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that the County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Plan Asset/Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balance, June 30, 2022	\$ 9,908,159	\$ 10,922,298	\$ (1,014,139)
Service cost	348,506	-	348,506
Interest	653,524	799,846	(146,322)
Administrative expenses	-	(3,346)	3,346
Changes of assumptions and other inputs	(374,700)	-	(374,700)
Employer contributions to Trust*	-	1,141,359	(1,141,359)
Benefit payments from trust*	(795,799)	(795,799)	-
Experience (gains)/losses	(861,850)	-	(861,850)
Net change in total OPEB liability	(1,030,319)	1,142,060	(2,172,379)
Balance, July 1, 2023	\$ 8,877,840	\$ 12,064,358	\$ (3,186,518)

* Includes \$62,354 due to implied rate subsidy

Changes in Benefit Terms - There were no changes in the benefit terms since the previous measurement.

Changes of Assumptions - There were no changes in assumptions since the previous measurement.

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

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

Discount Rate	Net OPEB Plan Asset
1% decrease (5.75%)	\$ (2,446,999)
Current discount rate (6.75%)	(3,186,518)
1% increase (7.75%)	(3,848,165)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rate

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

<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Plan Asset</u>
1% decrease (3.0%)	\$ (4,036,804)
Current healthcare cost trend rate (4.0%)	(3,186,518)
1% increase (5.0%)	(2,194,336)

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

For the year ended June 30, 2024, the County recognized OPEB expense of \$363,956 and the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,219,130	\$ -
Differences between expected and actual experience	1,078,191	1,149,881
Changes of assumptions	25,134	340,005
Net difference between projected and actual earnings on OPEB plan investments	<u>772,833</u>	<u>-</u>
Total	<u>\$ 3,095,288</u>	<u>\$ 1,489,886</u>

The deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB plan asset in the subsequent fiscal year.

The deferred outflows of resources and deferred inflows of resources related to the differences between expected and actual experience in the measurement of the total OPEB plan (asset) liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period and will be recognized as OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (5,922)
2025	(5,922)
2026	(5,922)
2027	(5,922)
2028	(5,922)
Thereafter	(356,951)
Total	\$ <u><u>(386,561)</u></u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 163,329
2025	103,447
2026	516,260
2027	(10,203)
Total	\$ <u><u>772,833</u></u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2024, the County reported a liability of \$88,865 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The County's proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively, was 0.0293% and 0.0273%, resulting in a net increase in the proportionate share of 0.0020%.

For the year ended June 30, 2024, the County recognized OPEB expense of \$(1,023).

Actuarial Methods and Assumptions

The June 30, 2023 total OPEB liability 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, 2023, using the assumptions listed in the following table:

Measurement Date	June 30, 2023	June 30, 2022
Valuation Date	June 30, 2022	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.65%	3.54%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2022, 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 members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members’ age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.13% of the potentially eligible population (138,780).

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, which is a pooled investment program administered by the State Treasurer.

Discount Rate

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.

Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.65%)	\$ 96,578
Current discount rate (3.65%)	88,865
1% increase (4.65%)	82,159

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

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

<u>Medicare Costs Trend Rates</u>	<u>Net OPEB Liability</u>
1% decrease (3.50% Part A and 4.40% Part B)	\$ 81,765
Current Medicare costs trend rates (4.50% Part A and 5.40% Part B)	88,865
1% increase (5.50% Part A and 6.40% Part B)	96,882

Santa Cruz County Superintendent of Schools

Notes to Financial Statements

June 30, 2024

Note 10 - Fund Balance

Fund balances are composed of the following elements:

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total
Nonspendable				
Prepaid expenditures	\$ 1,462	\$ -	\$ -	1,462
Restricted				
Legally restricted programs	\$ 9,358,346	\$ 197,149	\$ 323,771	\$ 9,879,266
Child development programs	-	-	197,581	197,581
Capital projects	-	-	662,843	662,843
Child nutrition	-	-	88,189	88,189
Total restricted	9,358,346	197,149	1,272,384	10,827,879
Committed				
Deferred maintenance program	1,186,095	-	-	1,186,095
Leaseback debt payments	-	-	6,560,590	6,560,590
Total committed	1,186,095	-	6,560,590	7,746,685
Assigned				
MAA program	969,650	-	-	969,650
Differentiated assistance	473,179	-	-	473,179
Classified credentialing program	126,081	-	-	126,081
Mandated cost program	2,446,796	-	-	2,446,796
Safety program	79,953	-	-	79,953
SMAA administration	2,921,468	-	-	2,921,468
Alternative education	3,470,425	-	-	3,470,425
Special projects	200,000	-	-	200,000
Education and administrative operations	15,631,947	-	-	15,631,947
Lottery	887,628	-	-	887,628
Career advancement charter-LCFF base	-	-	1,338,214	1,338,214
Career advancement charter-3% reserve	-	-	78,213	78,213
Career advancement charter-lottery	-	-	88,472	88,472
Capital projects	-	-	3,347,654	3,347,654
Adult education	1,955	-	-	1,955
Total assigned	27,209,082	-	4,852,553	32,061,635
Unassigned				
Reserve for economic uncertainties	3,371,125	-	-	3,371,125
Total	\$ 41,126,110	\$ 197,149	\$ 12,685,527	\$ 54,008,786

Note 11 - Risk Management

Property and Liability

The County is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2024, the County was a member in and procured coverage through the Southern Peninsula Region Property and Liability Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2023-2024, the County was a member in and procured coverage through the Santa Cruz-San Benito County Schools Insurance Group, a workers' compensation insurance purchasing pool. The intent of the Santa Cruz-San Benito County Schools Insurance Group is to achieve the benefit of a reduced premium for the County by virtue of its grouping and representation with other participants in the Santa Cruz-San Benito County Schools Insurance Group. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all entities in the Santa Cruz-San Benito County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participants' individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Santa Cruz-San Benito County Schools Insurance Group.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2024 the County 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	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 15,079,649	\$ 6,115,966	\$ 2,626,332	\$ 2,318,519
CalPERS	29,967,475	9,925,366	1,176,836	4,476,393
Total	\$ 45,047,124	\$ 16,041,332	\$ 3,803,168	\$ 6,794,912

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, County and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the County’s total contributions were \$2,521,596.

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

At June 30, 2024, the County reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the County were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 15,079,649
State’s proportionate share of the net pension liability	<u>7,225,084</u>
Total	<u>\$ 22,304,733</u>

The net pension liability was measured as of June 30, 2023. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, county offices of education and the State, actuarially determined. The County’s proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively was 0.0198% and 0.0182%, resulting in a net increase in the proportionate share of 0.0016%.

Santa Cruz County Superintendent of Schools

Notes to Financial Statements

June 30, 2024

For the year ended June 30, 2024, the County recognized pension expense of \$2,318,519. In addition, County recognized pension expense and revenue of \$982,811 for support provided by the State. At June 30, 2024, the County 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	\$ 2,521,596	\$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	2,257,494	1,819,495
Differences between projected and actual earnings on pension plan investments	64,547	-
Differences between expected and actual experience in the measurement of the total pension liability	1,185,012	806,837
Changes of assumptions	87,317	-
Total	\$ 6,115,966	\$ 2,626,332

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ (474,417)
2026	(743,495)
2027	1,221,824
2028	60,635
Total	\$ 64,547

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 280,800
2026	191,104
2027	82,994
2028	15,166
2029	(38,896)
Thereafter	372,323
Total	<u>\$ 903,491</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 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
Measurement date	June 30, 2023
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent

consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2023, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

Discount Rate

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

The following presents the County’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%)	\$ 25,294,908
Current discount rate (7.10%)	15,079,649
1% increase (8.10%)	6,594,686

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

A full description of the pension 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 Actuarial Valuation. 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/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	26.680%	26.680%

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024, are presented above and the total County contributions were \$4,140,998.

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

As of June 30, 2024, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$29,967,475. The net pension liability was measured as of June 30, 2023. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and county offices of education, actuarially determined. The County’s proportionate share of the proportionate share for the measurement period June 30, 2023 and June 30, 2022, respectively, was 0.0828% and 0.0855%, resulting in a net decrease in the proportionate share of 0.0027%.

For the year ended June 30, 2024, the County recognized pension expense of \$4,476,393. At June 30, 2024, the County 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	\$ 4,140,998	\$ -
Change in proportion and differences between contributions made and County’s proportionate share of contributions	109,225	716,580
Differences between projected and actual earnings on pension plan investments	3,200,955	-
Differences between expected and actual experience in the measurement of the total pension liability	1,093,598	460,256
Changes of assumptions	1,380,590	-
Total	\$ 9,925,366	\$ 1,176,836

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 597,103
2026	353,739
2027	2,150,497
2028	99,616
Total	<u>\$ 3,200,955</u>

The deferred outflows of resources and deferred inflows of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2025	\$ 705,100
2026	585,648
2027	115,829
2028	-
Total	<u>\$ 1,406,577</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 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
Measurement date	June 30, 2023
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

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. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.54%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the County’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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 43,325,222
Current discount rate (6.90%)	29,967,475
1% increase (7.90%)	18,927,600

Social Security

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. Contributions made by the County and an employee vest immediately. The County contributes 6.2% of an employee’s gross earnings. An employee is required to contribute 6.2% of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the County. These payments consist of State County School Service Fund contributions to CalSTRS in the amount of \$1,155,655 (10.828% of the second previous annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the budgeted amounts reported in the County School Service Fund - Budgetary Comparison Schedule.

Note 13 - Commitments and Contingencies

Grants

The County received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the County School Service Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the County at June 30, 2024.

Litigation

The County is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2024, the County had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
400 Encinal - COE ADA project	<u>\$ 500,000</u>	November 2024

Note 14 - Participation in Public Entity Risk Pools and Joint Power Authorities

The County is a member of the Santa Cruz County Schools’ Health Insurance Group (SCCSHIG), Santa Cruz-San Benito County Schools’ Insurance Group (SIG), and the Southern Peninsula Region Property and Liability Insurance Group (SPRIG) public entity risk pools and the North Santa Cruz County Special Education Local Plan Area joint powers authorities (JPA’s). The County pays an annual premium to the applicable entity for its health, workers’ compensation, and property liability coverage. The relationships between the County, the pools, and the JPA’s are such that they are not component units of the County for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the County are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2024, the County made payments of \$606,584, \$629,452, and \$198,853 to Santa Cruz County Schools Health Insurance Group, Santa Cruz-San Benito County Schools’ Insurance Group, and Southern Peninsula Region Property and Liability Insurance Group (including re-insurance through SAFER), respectively for dental and vision, workers’ compensation, and property liability coverage.



Required Supplementary Information
June 30, 2024

Santa Cruz County Superintendent of Schools

Santa Cruz County Superintendent of Schools
Budgetary Comparison Schedule – County School Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 33,755,542	\$ 37,535,189	\$ 38,240,954	\$ 705,765
Federal sources	7,281,151	7,513,860	5,347,278	(2,166,582)
Other State sources	6,685,414	5,836,582	12,866,279	7,029,697
Other local sources	13,984,931	22,860,648	16,912,277	(5,948,371)
Total revenues ¹	<u>61,707,038</u>	<u>73,746,279</u>	<u>73,366,788</u>	<u>(379,491)</u>
Expenditures				
Current				
Certificated salaries	14,155,320	13,773,342	13,986,567	(213,225)
Classified salaries	16,880,235	16,032,363	16,648,974	(616,611)
Employee benefits	18,908,829	17,600,418	17,815,037	(214,619)
Books and supplies	2,581,224	3,077,662	1,731,099	1,346,563
Services and operating expenditures	9,911,700	10,978,159	8,935,859	2,042,300
Other outgo	97,548	(147,908)	321,653	(469,561)
Capital outlay	250,000	330,177	324,212	5,965
Debt service				
Debt service - principal	405,150	-	57,314	(57,314)
Total expenditures ¹	<u>63,190,006</u>	<u>61,644,213</u>	<u>59,820,715</u>	<u>1,823,498</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,482,968)</u>	<u>12,102,066</u>	<u>13,546,073</u>	<u>1,444,007</u>
Other Financing Uses				
Transfers out	(60,850)	(7,545,806)	(8,451,196)	(905,390)
Other uses, payments to other agencies	(4,500,000)	(4,500,000)	(3,529,293)	970,707
Net financing sources (uses)	<u>(4,560,850)</u>	<u>(12,045,806)</u>	<u>(11,980,489)</u>	<u>65,317</u>
Net Change in Fund Balances	(6,043,818)	56,260	1,565,584	1,509,324
Fund Balance - Beginning	<u>39,560,526</u>	<u>39,560,526</u>	<u>39,560,526</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 33,516,708</u>	<u>\$ 39,616,786</u>	<u>\$ 41,126,110</u>	<u>\$ 1,509,324</u>

¹ Due to the consolidation of Fund 11, Adult Education Fund; Fund 14, Deferred Maintenance Fund; and Fund 17, Special Reserve Fund for Other than Capital Outlay Projects, for reporting purposes into the County School Service Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, but are not in the original and final County School Service Fund budgets.

Santa Cruz County Superintendent of Schools
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 3,796,855	\$ 4,232,854	\$ 4,819,271	\$ 586,417
Other State sources	3,382,532	2,668,480	3,726,483	1,058,003
Other local sources	45,000	169,096	157,946	(11,150)
Total revenues	<u>7,224,387</u>	<u>7,070,430</u>	<u>8,703,700</u>	<u>1,633,270</u>
Other Financing Uses				
Other uses, payment to other agencies	<u>(7,179,387)</u>	<u>(8,163,293)</u>	<u>(9,883,386)</u>	<u>(1,720,093)</u>
Net Change in Fund Balances	45,000	(1,092,863)	(1,179,686)	(86,823)
Fund Balance - Beginning	<u>1,376,835</u>	<u>1,376,835</u>	<u>1,376,835</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 1,421,835</u></u>	<u><u>\$ 283,972</u></u>	<u><u>\$ 197,149</u></u>	<u><u>\$ (86,823)</u></u>

Santa Cruz County Superintendent of Schools
Schedule of Changes in the County's Net OPEB Liability and Related Ratios
Year Ended June 30, 2024

	2024	2023	2022	2021
Total OPEB Liability				
Service cost	\$ 348,506	\$ 339,179	\$ 486,669	\$ 473,644
Interest	653,524	644,464	688,629	668,053
Benefit payments	(795,799)	(1,011,983)	(933,545)	-
Expected benefit payments from employer	-	-	-	(841,587)
Actual minus expected benefit payments	-	-	-	-
Experience (gains)/losses	(861,850)	104,960	(461,816)	(17,380)
Changes in assumption	(374,700)	-	32,601	-
Net change in total OPEB liability	(1,030,319)	76,620	(187,462)	282,730
Total OPEB Liability - Beginning	9,908,169	9,831,549	10,019,011	9,736,281
Total OPEB Liability - Ending (a)	<u>\$ 8,877,850</u>	<u>\$ 9,908,169</u>	<u>\$ 9,831,549</u>	<u>\$ 10,019,011</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,141,359	\$ 1,174,543	\$ 1,336,559	\$ 858,815
Interest	799,846	(1,780,310)	-	-
Net investment income	-	-	2,736,582	335,208
Benefit payments	(795,799)	(1,011,983)	(933,545)	(841,587)
Actual minus expected benefit payments	-	-	-	-
Administrative expense	(3,346)	(3,295)	(3,739)	(4,600)
Other	-	-	-	-
Net change in plan fiduciary net position	1,142,060	(1,621,045)	3,135,857	347,836
Plan Fiduciary Net Position - Beginning	10,922,308	12,543,353	9,407,496	9,059,660
Plan Fiduciary Net Position - Ending (b)	<u>\$ 12,064,368</u>	<u>\$ 10,922,308</u>	<u>\$ 12,543,353</u>	<u>\$ 9,407,496</u>
Net OPEB (Asset)/Liability - Ending (a) - (b)	<u>\$ (3,186,518)</u>	<u>\$ (1,014,139)</u>	<u>\$ (2,711,804)</u>	<u>\$ 611,515</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability	135.89%	110.24%	127.58%	93.90%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Net OPEB (Asset)/Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

¹ The County Office's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay, therefore, no measure of payroll is presented

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

Santa Cruz County Superintendent of Schools
Schedule of Changes in the County's Net OPEB Liability and Related Ratios
Year Ended June 30, 2024

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 403,067	\$ 392,279	\$ 381,780
Interest	550,815	521,490	491,261
Benefit payments	(664,019)	(502,479)	(457,838)
Expected benefit payments from employer	(109,099)	-	-
Actual minus expected benefit payments	218,198	56,926	-
Experience (gains)/losses	1,392,603	-	-
Changes in assumption	-	-	-
Net change in total OPEB liability	1,791,565	468,216	415,203
Total OPEB Liability - Beginning	7,944,716	7,476,500	7,061,297
Total OPEB Liability - Ending (a)	<u>\$ 9,736,281</u>	<u>\$ 7,944,716</u>	<u>\$ 7,476,500</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 873,118	\$ 595,554	\$ 557,838
Interest	-	-	-
Net investment income	563,364	601,237	740,457
Benefit payments	(773,118)	(502,479)	(457,838)
Actual minus expected benefit payments	-	56,926	-
Administrative expense	-	-	-
Other	-	7,330	-
Net change in plan fiduciary net position	663,364	758,568	840,457
Plan Fiduciary Net Position - Beginning	8,396,296	7,637,728	6,797,271
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,059,660</u>	<u>\$ 8,396,296</u>	<u>\$ 7,637,728</u>
Net OPEB (Asset)/Liability - Ending (a) - (b)	<u>\$ 676,621</u>	<u>\$ (451,580)</u>	<u>\$ (161,228)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB (Asset)/Liability	93.05%	105.68%	102.16%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Net OPEB (Asset)/Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ The County Office's OPEB Plan is administered through a trust, however, contributions are not made based on a measure of pay, therefore, no measure of payroll is presented

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

Santa Cruz County Superintendent of Schools
Schedule of the County's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2024

Year ended June 30,	2024	2023	2022	2021
Proportion of the net OPEB liability	0.0293%	0.0273%	0.0320%	0.0342%
Proportionate share of the net OPEB liability	\$ 88,865	\$ 89,888	\$ 127,613	\$ 144,851
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.96%)	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020

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

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

Santa Cruz County Superintendent of Schools
Schedule of the County's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2024

Year ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.0333%	0.0332%	0.0332%
Proportionate share of the net OPEB liability	\$ 124,556	\$ 120,821	\$ 127,684
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Santa Cruz County Superintendent of Schools
Schedule of the County's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2024

	2024	2023	2022	2021	2020
CalSTRS					
Proportion of the net pension liability	0.0198%	0.0182%	0.0213%	0.0196%	0.0189%
Proportionate share of the net pension liability	\$ 15,079,649	\$ 12,633,989	\$ 9,686,133	\$ 19,009,830	\$ 17,076,252
State's proportionate share of the net pension liability	7,225,084	6,327,052	4,873,687	9,799,570	9,316,235
Total	<u>\$ 22,304,733</u>	<u>\$ 18,961,041</u>	<u>\$ 14,559,820</u>	<u>\$ 28,809,400</u>	<u>\$ 26,392,487</u>
Covered payroll	<u>\$ 11,994,178</u>	<u>\$ 11,477,949</u>	<u>\$ 10,934,000</u>	<u>\$ 8,859,790</u>	<u>\$ 10,404,233</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>125.72%</u>	<u>110.07%</u>	<u>88.59%</u>	<u>214.56%</u>	<u>164.13%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>81%</u>	<u>87%</u>	<u>72%</u>	<u>73%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
CalPERS					
Proportion of the net pension liability	0.0828%	0.0855%	0.0852%	0.0834%	0.0827%
Proportionate share of the net pension liability	\$ 29,967,475	\$ 29,407,177	\$ 17,322,306	\$ 25,594,009	\$ 24,098,441
Covered payroll	<u>\$ 13,707,000</u>	<u>\$ 12,578,577</u>	<u>\$ 11,755,039</u>	<u>\$ 11,507,241</u>	<u>\$ 11,072,255</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>218.63%</u>	<u>233.79%</u>	<u>147.36%</u>	<u>222.42%</u>	<u>217.65%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>81%</u>	<u>70%</u>	<u>70%</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019

Santa Cruz County Superintendent of Schools
Schedule of the County's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2024

	2019	2018	2017	2016	2015
CalSTRS					
Proportion of the net pension liability	0.0176%	0.0168%	0.0169%	0.0213%	0.0258%
Proportionate share of the net pension liability	\$ 16,162,680	\$ 15,503,260	\$ 13,672,572	\$ 14,359,551	\$ 15,084,573
State's proportionate share of the net pension liability	9,253,890	9,171,598	7,783,552	7,594,619	9,108,717
Total	<u>\$ 25,416,570</u>	<u>\$ 24,674,858</u>	<u>\$ 21,456,124</u>	<u>\$ 21,954,170</u>	<u>\$ 24,193,290</u>
Covered payroll	\$ 9,561,423	\$ 8,958,810	\$ 8,863,027	\$ 9,494,981	\$ 11,592,138
Proportionate share of the net pension liability as a percentage of its covered payroll	169.04%	173.05%	154.27%	151.23%	130.13%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS					
Proportion of the net pension liability	0.0815%	0.0799%	0.0760%	0.0800%	0.0878%
Proportionate share of the net pension liability	\$ 21,727,160	\$ 19,067,848	\$ 15,009,890	\$ 11,794,608	\$ 9,970,401
Covered payroll	\$ 10,403,962	\$ 9,686,705	\$ 8,789,783	\$ 8,800,872	\$ 9,190,072
Proportionate share of the net pension liability as a percentage of its covered payroll	208.84%	196.85%	170.77%	134.02%	108.49%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Santa Cruz County Superintendent of Schools
Schedule of the County's Contributions
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
CalSTRS					
Contractually required contribution	\$ 2,521,596	\$ 2,290,888	\$ 1,942,069	\$ 1,765,841	\$ 1,515,024
Less contributions in relation to the contractually required contribution	<u>2,521,596</u>	<u>2,290,888</u>	<u>1,942,069</u>	<u>1,765,841</u>	<u>1,515,024</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 13,202,073</u>	<u>\$ 11,994,178</u>	<u>\$ 11,477,949</u>	<u>\$ 10,934,000</u>	<u>\$ 8,859,790</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>
CalPERS					
Contractually required contribution	\$ 4,140,998	\$ 3,477,466	\$ 2,881,752	\$ 2,433,293	\$ 2,269,228
Less contributions in relation to the contractually required contribution	<u>4,140,998</u>	<u>3,477,466</u>	<u>2,881,752</u>	<u>2,433,293</u>	<u>2,269,228</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 15,520,982</u>	<u>\$ 13,707,000</u>	<u>\$ 12,578,577</u>	<u>\$ 11,755,039</u>	<u>\$ 11,507,241</u>
Contributions as a percentage of covered payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.720%</u>

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

Santa Cruz County Superintendent of Schools
Schedule of the County's Contributions
Year Ended June 30, 2024

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS					
Contractually required contribution	\$ 1,690,102	\$ 1,363,011	\$ 1,112,652	\$ 918,955	\$ 868,687
Less contributions in relation to the contractually required contribution	<u>1,690,102</u>	<u>1,363,011</u>	<u>1,112,652</u>	<u>918,955</u>	<u>868,687</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 10,404,233</u>	<u>\$ 9,561,423</u>	<u>\$ 8,958,810</u>	<u>\$ 8,863,027</u>	<u>\$ 9,494,891</u>
Contributions as a percentage of covered payroll	<u>16.24%</u>	<u>14.43%</u>	<u>12.42%</u>	<u>10.73%</u>	<u>9.15%</u>
CalPERS					
Contractually required contribution	\$ 1,996,656	\$ 1,611,481	\$ 1,343,511	\$ 1,037,482	\$ 1,036,441
Less contributions in relation to the contractually required contribution	<u>1,996,656</u>	<u>1,611,481</u>	<u>1,343,511</u>	<u>1,037,482</u>	<u>1,036,441</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 11,072,255</u>	<u>\$ 10,403,962</u>	<u>\$ 9,686,705</u>	<u>\$ 8,789,783</u>	<u>\$ 8,800,872</u>
Contributions as a percentage of covered payroll	<u>18.030%</u>	<u>15.490%</u>	<u>13.870%</u>	<u>11.800%</u>	<u>11.780%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

The County 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 State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

At June 30, 2024, the County’s Special Education Pass-Through Fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
Special Education Pass-Through	\$ 8,163,293	\$ 9,883,386	\$ (1,720,093)

Schedule of Changes in the County’s Net OPEB Plan Asset/Liability and Related Ratios

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

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous measurement.
- *Changes of Assumptions* - There were no changes in assumptions since the previous measurement.

Schedule of the County’s Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the County’s proportionate share of the net OPEB Liability - MPP Program and the plan’s fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.54% to 3.65% since the previous valuation.

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

This schedule presents information on the County'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 County. In the future, as data becomes available, ten years of information will be presented.

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

Schedule of the County's Contributions

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



Supplementary Information
June 30, 2024

Santa Cruz County Superintendent of Schools

Santa Cruz County Superintendent of Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Passed Through California Department of Education (CDE):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 259,775	\$ -
Title I, Part D, Subpart 2, Local Delinquent Programs	84.010	14357	103,159	-
Title I, Comprehensive Support for Improvement for LEAs	84.010	15438	178,351	-
Title I, Comprehensive Support for Improvement for COEs	84.010	15439	55,021	-
Subtotal Title I (84.010)			596,306	-
COVID-19, Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	15547	123,995	-
COVID-19, Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	15559	852,501	-
COVID-19, Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	265,214	-
COVID-19, Expanded Learning Opportunities (ELO) Grant: ESSER III: State Reserve, Emergency Needs	84.425U	15620	31,851	-
COVID-19, Elementary and Secondary School Emergency Relief Fund (ESSER III), Learning Loss	84.425U	10155	253,020	-
COVID-19, American Rescue Plan - Homeless Children and Youth (ARP-HYC) Program	84.425W	15564	11,115	-
COVID-19, American Rescue Plan - Homeless Children and Youth (ARP-HYC II) Program	84.425W	15566	7,305	-
Subtotal (84.425)			1,545,001	-
Title II, Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	24,641	-
Title IV, Part A, Student Support and Academic Enrichment Program	84.424	15396	5,488	-
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	130,750	-

Santa Cruz County Superintendent of Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Passed Through North Santa Cruz County SELPA:				
Special Education IDEA Cluster				
IDEA Basic Local Assistance Entitlement	84.027	13379	4,164,110	3,719,940
COVID-19, IDEA Basic ARP Local Assistance Entitlement	84.027	15638	748,759	748,759
IDEA Mental Health Services, Part B	84.027A	15197	200,393	186,087
Subtotal (84.027)			<u>5,113,262</u>	<u>4,654,786</u>
IDEA Preschool Grants, Part B, Section 619	84.173	13430	96,825	96,825
COVID-19, Special Education: ARP IDEA, Preschool Grants	84.173	15639	67,659	67,959
Subtotal (84.173)			<u>164,484</u>	<u>164,784</u>
Subtotal Special Education Cluster			<u>5,277,746</u>	<u>4,819,570</u>
Special Education - Grants for Infants and Families IDEA Early Intervention Grants	84.181	23761	102,304	-
Passed Through California Department of Rehabilitation (DOR):				
State Vocational Rehabilitation Services Program - We Can Work	84.126A	[1]	137,334	-
Total U.S Department of Education			<u>7,819,570</u>	<u>4,819,570</u>
U.S. Department of Health and Human Services				
Foster Care - Title IV-E	93.658	N/A	199,550	-
Community Funded Projects	93.493	N/A	401,091	-
Passed through California Department of Public Health:				
COVID-19, Public Health Workforce Supplemental Funding: Health and Safety Champions Program	93.354	[1]	215,117	-

[1] Pass-Through Entity Identifying Number not available

Santa Cruz County Superintendent of Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through California Department of Social Services:				
Child Care and Development Fund (CCDF) Cluster				
Child Care and Development Block Grant - Local Planning Council	93.575	13946	43,523	-
Child Care and Development Block Grant - Quality Improvement Activities	93.575	15534	265,803	-
COVID-19, American Rescue Plan - Child Care and Development Block Grant: Child Care Resource & Referral Project	93.575	10163	69,941	-
Subtotal CCDF Cluster			<u>379,267</u>	<u>-</u>
Passed Through Stanislaus County Office of Education:				
Head Start Cluster				
Migrant Head Start	93.600	[1]	1,126,271	-
Subtotal Head Start Cluster			<u>1,126,271</u>	<u>-</u>
Total U.S Department of Health and Human Services			<u>2,321,296</u>	<u>-</u>
U.S. Department of Labor				
Passed Through California Department of Education (CDE):				
WIOA Cluster				
WIA/WIOA Youth Activities	17.259	10055	715,070	-
Total U.S Department of Labor			<u>715,070</u>	<u>-</u>
U.S. Department of Commerce				
Marine Sanctuary Program - Every Classroom a Green Classroom	11.429	N/A	84,667	-
Total U.S Department of Commerce			<u>84,667</u>	<u>-</u>

[1] Pass-Through Entity Identifying Number not available

Santa Cruz County Superintendent of Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through California Department of Education (CDE):				
Child Nutrition Cluster				
National School Lunch Program - Section 4	10.555	13523	10,632	-
National School Lunch Program - Section 11	10.555	13524	43,007	-
Subtotal (10.555)			53,639	-
School Breakfast Program - Basic Breakfast	10.553	13525	4,994	-
School Breakfast Program - Needy Breakfast	10.553	13526	18,113	-
Subtotal (10.553)			23,107	-
Subtotal Child Nutrition Cluster			76,746	-
COVID-19, SNAP, Pandemic Electronic Benefits Transfer Local Administrative Grant	10649	15644	614	-
Total U.S Department of Agriculture			77,360	-
Total Federal Financial Assistance			\$ 11,017,963	\$ 4,819,570

Santa Cruz County Superintendent of Schools
Schedule of Average Daily Attendance
Year Ended June 30, 2024

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Elementary School ADA				
Probation referred, on probation or parole, expelled	13.36	11.39		
Total elementary school ADA	13.36	11.39		
High School ADA				
Juvenile halls, homes and camps	27.50	26.72		
Probation referred, on probation or parole, expelled	819.94	842.97		
Total high school ADA	847.44	869.69		
Total ADA	860.80	881.08		
Santa Cruz County Career Advancement Charter School				
Regular ADA, All Non-Classroom Based				
Ninth through twelfth	155.41	161.86	153.35	160.05

Santa Cruz County Superintendent of Schools
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2024

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2024.

Santa Cruz County Superintendent of Schools

Schedule of Financial Trends and Analysis

Year Ended June 30, 2024

	(Budget) 2025 ¹	2024	2023 ¹	2022 ¹
County School Service Fund ³				
Revenues	\$ 68,661,271	\$ 73,485,288	\$ 61,079,687	\$ 54,094,876
Other sources and transfers in	-	-	479,031	-
Total Revenues and Other Sources	68,661,271	73,485,288	61,558,718	54,094,876
Expenditures	71,012,514	59,820,715	53,599,961	48,934,701
Other uses and transfers out	1,281,540	12,098,989	5,597,878	3,487,653
Total Expenditures and Other Uses	72,294,054	71,919,704	59,197,839	52,422,354
Increase/(Decrease) in Fund Balance	(3,632,783)	1,565,584	2,360,879	1,672,522
Ending Fund Balance	<u>\$ 37,493,327</u>	<u>\$ 41,126,110</u>	<u>\$ 39,560,526</u>	<u>\$ 37,199,647</u>
Available Reserves ²	<u>\$ 3,491,125</u>	<u>\$ 3,371,125</u>	<u>\$ 3,104,802</u>	<u>\$ 2,566,782</u>
Available Reserves as a Percentage of Total Outgo	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>
Long-Term Liabilities	<u>Not Available</u>	<u>\$ 52,279,561</u>	<u>\$ 49,805,762</u>	<u>\$ 35,111,564</u>
Average Daily Attendance at Annual ⁴	<u>901</u>	<u>881</u>	<u>939</u>	<u>870</u>

The County School Service Fund balance has increased by \$3,926,463 over the past two years. The fiscal year 2024-2025 budget projects a decrease of \$3,632,783 (8.83%). For a county office of education this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The County has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2024-2025 fiscal year. Total long-term liabilities have increased by \$17,167,997 over the past two years, primarily due to changes in the County's net pension liability.

Average daily attendance has increased by 11 over the past two years. An increase of 20 ADA is anticipated during fiscal year 2024-2025.

¹ Financial information for 2025, 2023, and 2022 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the County School Service Fund and the Special Reserve Fund for Other than Capital Outlay Projects.

³ County School Service Fund amounts include activity related to the consolidation of the Adult Education Fund, the Deferred Maintenance Fund, and the Special Reserve Fund for Other than Capital Outlay as required by GASB Statement No. 54.

⁴ Annual ADA excludes county operated Special Education programs and charter school ADA.

Santa Cruz County Superintendent of Schools

Schedule of Charter Schools

Year Ended June 30, 2024

Name of Charter School	Charter Number	Included in Audit Report
Pacific Collegiate School	0210	No
Santa Cruz County Career Advancement Charter School	1904	Yes

Santa Cruz County Superintendent of Schools
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2024

	Charter School Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
Assets							
Deposits and investments	\$ 1,854,113	\$ 191,320	\$ 73,979	\$ 709,808	\$ 3,347,654	\$ 5,596,078	\$ 11,772,952
Receivables	158,025	526,594	14,210	-	-	-	698,829
Due from other funds	30,852	-	-	-	-	964,512	995,364
Total assets	\$ 2,042,990	\$ 717,914	\$ 88,189	\$ 709,808	\$ 3,347,654	\$ 6,560,590	\$ 13,467,145
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 144,836	\$ 138,774	\$ -	\$ 46,964	\$ -	-	\$ 330,574
Due to other funds	69,484	273,032	-	-	-	-	342,516
Unearned revenue	-	108,528	-	-	-	-	108,528
Total liabilities	214,320	520,334	-	46,964	-	-	781,618
Fund Balances							
Restricted	323,771	197,580	88,189	662,844	-	-	1,272,384
Committed	-	-	-	-	-	6,560,590	6,560,590
Assigned	1,504,899	-	-	-	3,347,654	-	4,852,553
Total fund balances	1,828,670	197,580	88,189	662,844	3,347,654	6,560,590	12,685,527
Total liabilities and fund balances	\$ 2,042,990	\$ 717,914	\$ 88,189	\$ 709,808	\$ 3,347,654	\$ 6,560,590	\$ 13,467,145

Santa Cruz County Superintendent of Schools

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2024

	Charter School Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
Revenues							
Local Control Funding Formula	\$ 2,024,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,024,361
Federal sources	167,424	379,267	77,360	-	-	-	624,051
Other State sources	286,747	934,177	149,881	-	-	-	1,370,805
Other local sources	374,405	300,564	1,047	36,822	(152,346)	(19,908)	540,584
Total revenues	<u>2,852,937</u>	<u>1,614,008</u>	<u>228,288</u>	<u>36,822</u>	<u>(152,346)</u>	<u>(19,908)</u>	<u>4,559,801</u>
Expenditures							
Current							
Instruction	1,628,074	-	-	-	-	-	1,628,074
Instruction-related activities							
Supervision of instruction	396,696	-	-	-	-	-	396,696
Instructional library, media, and technology	8,549	-	-	-	-	-	8,549
School site administration	488,348	-	-	-	-	-	488,348
Pupil services							
Food services	-	-	185,737	-	-	-	185,737
All other pupil services	51,932	-	-	-	-	-	51,932
Administration							
All other administration	33,497	108,366	-	-	-	-	141,863
Community services	-	1,454,177	-	-	-	-	1,454,177
Facility acquisition and construction	-	-	-	111,902	-	-	111,902
Debt service							
Principal	-	-	-	-	-	405,150	405,150
Interest and other	-	-	-	-	-	219,605	219,605
Total expenditures	<u>2,607,096</u>	<u>1,562,543</u>	<u>185,737</u>	<u>111,902</u>	<u>-</u>	<u>624,755</u>	<u>5,092,033</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>245,841</u>	<u>51,465</u>	<u>42,551</u>	<u>(75,080)</u>	<u>(152,346)</u>	<u>(644,663)</u>	<u>(532,232)</u>

Santa Cruz County Superintendent of Schools

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
 Year Ended June 30, 2024

	Charter School Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
Other Financing Sources Transfers in	-	-	-	-	3,500,000	4,951,196	8,451,196
Net Change in Fund Balances	245,841	51,465	42,551	(75,080)	3,347,654	4,306,533	7,918,964
Fund Balance - Beginning	1,582,829	146,115	45,638	737,924	-	2,254,057	4,766,563
Fund Balance - Ending	\$ 1,828,670	\$ 197,580	\$ 88,189	\$ 662,844	\$ 3,347,654	\$ 6,560,590	\$ 12,685,527

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

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the County under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Santa Cruz County Superintendent of Schools, it is not intended to and does not present the net position, changes in net position or fund balances of Santa Cruz County Superintendent of Schools.

Summary of Significant Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are reported on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

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

Schedule of Average Daily Attendance (ADA)

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

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 Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all charter schools chartered by the Santa Cruz County Superintendent of Schools and displays information for each charter school on whether or not the charter school is included in the County's audit.

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

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



Other Information
June 30, 2024

Santa Cruz County Superintendent of Schools

Organization

Santa Cruz County is comprised of ten school districts and the County Office of Education. Within Santa Cruz County, there are thirty-five elementary schools, thirteen middle schools, nine special education sites (run by the County, PVUSD has special education classrooms at all three school levels), eight high schools, two continuation schools, one community school, nineteen Alternative Education sites and fourteen charter schools. The County is also the administrative agency for one Special Education Local Plan Area (SELPA) and coordinates the Career Technical Education Partnership for four school districts.

Governing Board

Member	Office	Term Expires
Bruce Van Allen	Member	2026
Sue Roth	President	2026
Rachel Williams	Member	2024
Abel Sanchez	Vice President	2026
Sandra Nichols	Member	2024
Edward Estrada	Member	2024
Ed Acosta	Member	2024

Administration

Name	Title
Faris Sabbah	Superintendent
Liann Reyes	Deputy Superintendent, Business Services
Angela Meeker	Associate Superintendent, Educational Services
Vacant	Deputy Superintendent of Schools



Independent Auditor's Reports
June 30, 2024

**Santa Cruz County Superintendent of
Schools**



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

To the Governing Board
Santa Cruz County Superintendent of Schools
Santa Cruz, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Superintendent of Schools (the County), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County’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 County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’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 County’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fresno, California
December 16, 2024



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

To the Governing Board
Santa Cruz County Superintendent of Schools
Santa Cruz, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Santa Cruz County Superintendent of Schools’ (the County) 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 County’s major federal programs for the year ended June 30, 2024. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County 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 County’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2024-01 to be a material weakness.

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

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

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

Eide Bailly LLP

Fresno, California
December 16, 2024



Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

To the Governing Board
Santa Cruz County Superintendent of Schools
Santa Cruz, California

Report on Compliance

Opinion on State Compliance

We have audited Santa Cruz County Superintendent of Schools' (the County) compliance with the requirements specified in the *2023-2024 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, the County complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 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 (*Government Auditing Standards*), and the *2023-2024 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 County 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 County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the **2023-2024 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 County’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the **2023-2024 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 County’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the County’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the **2023-2024 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 County’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the County’s compliance with the state laws and regulations applicable to the following items:

2023-2024 K-12 Audit Guide Procedures	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
Ratios of Administrative Employees to Teachers	Not Applicable

2023-2024 K-12 Audit Guide Procedures	Procedures Performed
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	Not Applicable
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	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Not Applicable
Transitional Kindergarten	Not Applicable
Charter Schools	
Attendance	Yes
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term “Not Applicable” is used above to mean either the County did not offer the program during the current fiscal year, the County did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002. Our opinion on State compliance is not modified with respect to these this matter.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-002 to be material weaknesses.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Fresno, California
December 16, 2024



Schedule of Findings and Questioned Costs
June 30, 2024

Santa Cruz County Superintendent of Schools

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Head Start Cluster	93.600
COVID-19, Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D
COVID-19, Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U
COVID-19, Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U
COVID-19, American Rescue Plan - Homeless Children and Youth (ARP-HYC) Program	84.425W
COVID-19, American Rescue Plan - Homeless Children and Youth (ARP-HYC II) Program	84.425W
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

The following finding represents an instance of noncompliance and material weakness in internal controls over compliance that is required to be reported by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2024-001 50000

Federal Program Affected

Program Name: Education Stabilization Funds
 Assistance Listing Number: 84.425
 Pass-Through Entity Number: 15547
 Pass-Through Entity: California Department of Education (CDE)
 Federal Agency: U.S. Department of Treasury
 Compliance Requirement: Reporting
 Type of Finding: Material Weakness in Controls over Compliance

Criteria or Specific Requirements

Local education agencies must comply with all reporting requirements that the Department of Education may reasonably require. Section 15011 of Division B of the Coronavirus Aid, Relief, and Economic Security (CARES) Act requires that a grantee submit annual reports. In addition, the Uniform Guidance, Section 200.303 Internal Controls, requires that the non-Federal entity must establish and maintain documentation of effective internal controls over Federal awards that provide reasonable assurance that awards are being managed in compliance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition

During our testing over reporting of the Education Stabilization Fund awards, we noted that the entity did complete the required annual reports on time. However, the entity did not use the most up to date general ledger reports that supported the prior year ending Schedule of Expenditures of Federal Awards (SEFA) amounts, which should have been the proper amounts reported on the annual expenditure reports. ESSER II, Resource 3212, reported expenditures of \$586,935, while the SEFA reported \$622,765.

Cause

The condition identified appears to have materialized due to the Business Services personnel not following their internal control policies and procedures of using the most up to date general ledger reports when preparing their annual expenditure reports.

Effect

The entity did not comply with the reporting requirements as specified by the California Department of Education, as well as the internal control requirements for Federal awards.

Questioned Costs

Since the correct expenditures were reported on the SEFA, and the annual expenditure reports were only off due to incorrect dates being used to run the general ledger reports, the likely questioned cost will be \$0.

Context

The entity did not comply with the reporting requirements as specified by the California Department of Education because of the incorrect date used to run reports.

Repeat Finding

No.

Recommendation

The entity should review their policies and procedures related to required reporting requirements of federal awards and ensure that general ledger reports being used are the most accurate and up to date reports.

Corrective Action Plan and Views of Responsible Officials

Santa Cruz COE will ensure current ledger reports are generated from the financial system at the time reports are submitted.

The following finding represents an instance of noncompliance and a material weakness in internal controls over compliance including questioned costs that is required to be reported by the **2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting**. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance

2024-002 10000 - Attendance Accounting and Reporting

Criteria

According to the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in ADA. [*Education Code* Sections 41341 (a)(1) and 14503 (a)]

Condition

During our audit of the Second Period (P-2) and Annual reports, we determined the reports did not use the correct divisors to determine ADA for the Santa Cruz County Career Advancement Charter School.

Cause

The differences were due to the charter using incorrect divisors to calculate the P-2 and Annual reports. The reports submitted to the CDE used 148 days for the P-2 divisor and 178 days for the annual divisor. The divisor should have been 150 days for the P-2 and 180 days for the Annual.

Effect

The charter will need to revise the P-2 and Annual reports submitted through the Principal Apportionment Data Collection (PADC) system. The revised P-2 will reduce charter ADA from 155.41 to 153.35. The revised Annual will reduced ADA from 161.86 to 160.05.

Questioned Costs

The estimated fiscal impact is approximately \$(26,994) for the revised P-2 and zero for the revised Annual. The estimate was calculated using the P-2 ADA adjustments above multiplied by the respective LCFF rate per ADA provided on the CDE 2023-2024 P-2 LCFF exhibit. For the annual reporting period ADA differences, no estimated impact was calculated as there were no programs funded on annual ADA at the Charter affected by this condition.

Repeat Finding

No

Recommendation

We recommend management evaluate the internal control structure over State compliance and consider changes as necessary that will ensure the correct preparation of the P-2 and Annual reports.

Corrective Action Plan and Views of Responsible Officials

Both the P-2 and Annual reports will be revised. The County will review the attendance software and implement necessary changes to accurately track, calculate, and report ADA amounts.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.