

**FONTANA UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2023**

NIGRO & NIGRO^{PC}

FONTANA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2023

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FONTANA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2023

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Fontana Unified School District
Fontana, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California
December 11, 2023

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FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

This discussion and analysis of Fontana Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$148.2 million, or 81.5%.
- Governmental expenses were about \$634.4 million. Revenues were about \$782.5 million.
- The District acquired over \$31.7 million in new capital assets during the year.
- Governmental funds increased by \$111.9 million, or 23.9%.
- Reserves for the General Fund decreased by \$6.2 million or 17.1%. Revenues and other financing sources were \$730.4 million, and expenditures and other financing uses were \$628.0 million.

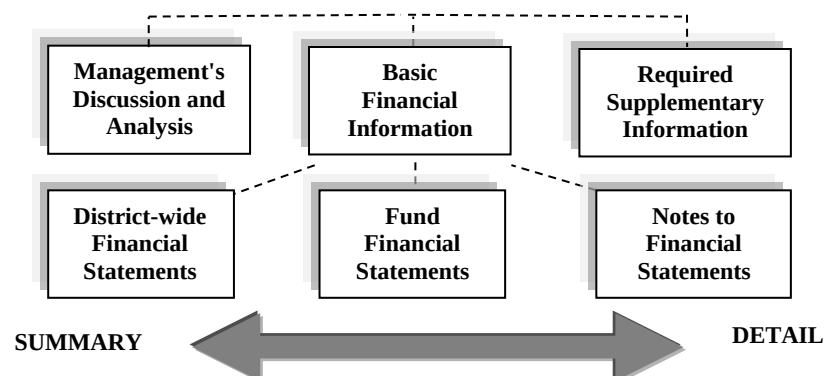
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.
 - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.

Figure A-1. Organization of Fontana Unified School District's Annual Financial Report

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



FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

District-Wide Statements

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

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers' compensation claims, health and welfare benefits, and property and liability claims.
- 3) **Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds include CFD custodial funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2023, than it was the year before – increasing 81.5% to \$330.0 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2023	2022	Increase (Decrease)
Assets			
Current assets	\$ 703,259,536	\$ 623,142,500	\$ 80,117,036
Capital assets	515,277,829	508,169,790	7,108,039
Total assets	1,218,537,365	1,131,312,290	87,225,075
Total deferred outflows of resources	198,959,470	151,052,388	47,907,082
Liabilities			
Current liabilities	106,365,417	139,696,660	(33,331,243)
Long-term liabilities	858,961,125	733,483,212	125,477,913
Total liabilities	965,326,542	873,179,872	92,146,670
Total deferred inflows of resources	122,137,696	227,331,828	(105,194,132)
Net position			
Net investment in capital assets	339,144,626	330,809,073	8,335,553
Restricted	305,244,097	194,930,577	110,313,520
Unrestricted	(314,356,126)	(343,886,672)	29,530,546
Total net position	\$ 330,032,597	\$ 181,852,978	\$ 148,179,619

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 20.4% to \$782.5 million (See Table A-2). The increase is due primarily to increased federal and state grants.

The total cost of all programs and services increased 4.3% to \$634.4 million. The District's expenses are predominantly related to educating and caring for students, 80.5%. The purely administrative activities of the District accounted for just 3.6% of total costs. A significant contributor to the increase in costs was negotiated salary increases.

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2023	2022	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 9,646,574	\$ 9,873,561	\$ (226,987)
Operating grants and contributions	247,429,278	182,053,691	65,375,587
Capital grants and contributions	850,915	(42,260)	893,175
General Revenues:			
Property taxes	84,646,974	71,597,615	13,049,359
Federal and state aid not restricted	425,262,324	383,411,782	41,850,542
Other general revenues	14,705,498	2,793,323	11,912,175
Total Revenues	782,541,563	649,687,712	132,853,851
Expenses			
Instruction-related	439,754,235	410,266,613	29,487,622
Pupil services	71,111,517	63,967,087	7,144,430
Administration	23,110,211	23,644,672	(534,461)
Plant services	62,590,180	58,307,623	4,282,557
All other activities	37,795,801	52,153,287	(14,357,486)
Total Expenses	634,361,944	608,339,282	26,022,662
Increase (decrease) in net position	\$ 148,179,619	\$ 41,348,430	\$ 106,831,189
Total net position	\$ 330,032,597	\$ 181,852,978	\$ 148,179,619

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$581.0 million, which is above last year's ending fund balance of \$469.1 million. The primary cause of the increased fund balance is a surplus in the General Fund.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2022	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2023
General Fund	\$ 220,913,653	\$ 728,590,047	\$ 627,989,456	\$ 1,796,415	\$ 323,310,659
Student Activity Special Revenue Fund	1,909,284	3,138,237	2,896,459	-	2,151,062
Adult Education Fund	892,651	2,429,859	2,410,177	-	912,333
Child Development Fund	2,461,202	10,184,213	10,346,894	-	2,298,521
Cafeteria Fund	26,093,673	31,098,332	27,022,253	-	30,169,752
Special Reserve Fund (Other Than Capital Outlay)	12,597,196	219,649	-	-	12,816,845
Building Fund	64,798,113	1,246,771	11,055,215	-	54,989,669
Capital Facilities Fund	47,984,955	13,411,357	3,132,893	-	58,263,419
County School Facilities Fund	2,778,597	850,915	797,092	-	2,832,420
Special Reserve Fund (Capital Outlay)	29,578,171	8,748,869	9,737,695	-	28,589,345
Capital Projects Fund for Blended Component Units	45,257,782	7,109,630	2,467,820	-	49,899,592
Bond Interest and Redemption Fund	13,802,928	12,820,783	11,845,100	-	14,778,611
	<u>\$ 469,068,205</u>	<u>\$ 819,848,662</u>	<u>\$ 709,701,054</u>	<u>\$ 1,796,415</u>	<u>\$ 581,012,228</u>

General Fund Budgetary Highlights

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

- Revenues – Increased by \$108.9 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased \$3.9 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$27.5 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$46.4 million, the actual results for the year show that revenues exceeded expenditures by roughly \$100.6 million. Actual revenues were \$20.7 million more than anticipated, and expenditures were \$33.5 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2023, that will be carried over into the 2023-24 budget.

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022-23 the District had acquired \$31.7 million in new capital assets, related to land, construction in progress, site improvements, equipment purchases, and lease and subscription assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$23.5 million and amortization expense was \$1.4 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2023	2022	
Land	\$ 59,340,012	\$ 59,340,012	\$ -
Improvement of sites	28,837,117	28,132,143	704,974
Buildings	368,656,187	380,485,488	(11,829,301)
Equipment	23,161,502	24,822,889	(1,661,387)
Construction in progress	34,072,887	14,568,410	19,504,477
Lease assets	311,917	820,848	(508,931)
Subscription assets	898,207	-	898,207
Total	<u>\$ 515,277,829</u>	<u>\$ 508,169,790</u>	<u>\$ 7,108,039</u>

Long-Term Debt

At year-end the District had \$859.0 million in long-term liabilities – an increase of 17.1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2023	2022	
General obligation bonds	\$ 286,797,718	\$ 290,464,420	\$ (3,666,702)
Certificates of participation	21,464,272	23,314,440	(1,850,168)
Subscription-based IT arrangements	646,207	-	646,207
Leases	312,540	821,668	(509,128)
Compensated absences	3,541,330	3,939,002	(397,672)
Claims liability	7,785,398	7,433,140	352,258
Other postemployment benefits	101,316,306	135,680,896	(34,364,590)
Net pension liability	437,097,354	271,829,646	165,267,708
Total	<u>\$ 858,961,125</u>	<u>\$ 733,483,212</u>	<u>\$ 125,477,913</u>

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

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

K-14 Education

Funds Modest Increase in School and Community College Funding

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

Increase in Required Reserve Deposits

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

Provides Large COLA to School and Community College Districts

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

Budget Has Notable K-14 Structural Gap

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

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Funds School Facilities Grants

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

All of these factors were considered in preparing the Fontana Unified School District budget for the 2023-24 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Fiscal Services Office at (909) 357-7600.

FONTANA UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2023*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 666,463,111
Accounts receivable	35,029,522
Inventories	576,124
Prepaid expenses	1,190,779
Capital assets:	
Non-depreciable assets	93,412,899
Depreciable assets	860,089,767
Less accumulated depreciation	(439,434,961)
Lease assets	727,807
Less accumulated amortization	(415,890)
Subscription assets	1,796,415
Less accumulated amortization	(898,208)
Total assets	<u>1,218,537,365</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	12,711,043
Deferred outflows from OPEB	20,497,036
Deferred outflows from pensions	<u>165,751,391</u>
Total deferred outflows of resources	<u>198,959,470</u>
LIABILITIES	
Accounts payable	90,689,029
Accrued interest payable	3,169,001
Unearned revenue	12,507,387
Noncurrent liabilities:	
Due or payable within one year	8,819,737
Due in more than one year:	
Other than OPEB and pensions	311,727,728
Net OPEB liability	101,316,306
Net pension liability	<u>437,097,354</u>
Total liabilities	<u>965,326,542</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	43,689,147
Deferred inflows from pensions	<u>78,448,549</u>
Total deferred inflows of resources	<u>122,137,696</u>
NET POSITION	
Net investment in capital assets	339,144,626
Restricted for:	
Capital projects	89,685,184
Debt service	14,778,611
Educational programs	187,363,746
Student activities	2,151,062
Self-insurance	11,265,494
Unrestricted	<u>(314,356,126)</u>
Total net position	<u>\$ 330,032,597</u>

FONTANA UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instructional Services:					
Instruction	\$ 356,243,540	\$ 968,404	\$ 116,075,544	\$ 850,915	\$ (238,348,677)
Instruction-Related Services:					
Supervision of instruction	44,730,666	601,336	31,867,129	-	(12,262,201)
Instructional library, media and technology	5,322,833	-	(205,480)	-	(5,528,313)
School site administration	33,457,196	460,323	11,212,088	-	(21,784,785)
Pupil Support Services:					
Home-to-school transportation	9,271,510	-	64,751	-	(9,206,759)
Food services	26,292,429	20,489	34,722,492	-	8,450,552
All other pupil services	35,547,578	361,453	6,791,952	-	(28,394,173)
General Administration Services:					
Data processing services	12,498,497	-	4,693,636	-	(7,804,861)
Other general administration	10,611,714	95,393	26,164,037	-	15,647,716
Plant services	62,590,180	684,834	3,481,716	-	(58,423,630)
Ancillary services	3,004,434	-	3,138,237	-	133,803
Community services	19,819	-	-	-	(19,819)
Enterprise activities	333,875	-	12,590	-	(321,285)
Interest on long-term debt	9,200,365	-	-	-	(9,200,365)
Other outgo	285,783	6,454,342	9,410,586	-	15,579,145
Depreciation (unallocated)	23,544,386	-	-	-	(23,544,386)
Amortization (unallocated)	1,407,139	-	-	-	(1,407,139)
Total Governmental Activities	\$ 634,361,944	\$ 9,646,574	\$ 247,429,278	\$ 850,915	(376,435,177)
General Revenues:					
Property taxes					84,646,974
Federal and state aid not restricted to specific purpose					425,262,324
Interest and investment earnings					6,055,343
Miscellaneous					8,650,155
Total general revenues					524,614,796
Change in net position					148,179,619
Net position - July 1, 2022					181,852,978
Net position - June 30, 2023					\$ 330,032,597

FONTANA UNIFIED SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2023*

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 403,390,739	\$ 26,917,005	\$ 220,912,244	\$ 651,219,988
Accounts receivable	24,615,503	6,052,428	4,211,978	34,879,909
Due from other funds	4,344,766	193,684	-	4,538,450
Inventories	342,321	119,625	114,178	576,124
Prepaid expenditures	1,190,779	-	-	1,190,779
Total Assets	<u>\$ 433,884,108</u>	<u>\$ 33,282,742</u>	<u>\$ 225,238,400</u>	<u>\$ 692,405,250</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 81,199,704	\$ 798,721	\$ 8,437,191	\$ 90,435,616
Due to other funds	4,208,360	2,314,269	1,927,390	8,450,019
Unearned revenue	12,348,540	-	158,847	12,507,387
Total Liabilities	<u>97,756,604</u>	<u>3,112,990</u>	<u>10,523,428</u>	<u>111,393,022</u>
Fund Balances				
Nonspendable	1,733,100	119,625	134,998	1,987,723
Restricted	154,157,970	30,050,127	214,405,144	398,613,241
Committed	135,079,589	-	-	135,079,589
Assigned	15,193,409	-	174,830	15,368,239
Unassigned	29,963,436	-	-	29,963,436
Total Fund Balances	<u>336,127,504</u>	<u>30,169,752</u>	<u>214,714,972</u>	<u>581,012,228</u>
Total Liabilities and Fund Balances	<u>\$ 433,884,108</u>	<u>\$ 33,282,742</u>	<u>\$ 225,238,400</u>	<u>\$ 692,405,250</u>

FONTANA UNIFIED SCHOOL DISTRICT

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

Total fund balances - governmental funds \$ 581,012,228

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets, lease assets, subscription assets, accumulated depreciation, and accumulated amortization.

Capital assets at historical cost	953,502,666	
Accumulated depreciation	(439,434,961)	
Lease assets at historical cost	727,807	
Accumulated amortization	(415,890)	
Subscription assets at historical cost	1,796,415	
Accumulated amortization	<u>(898,208)</u>	
Net:		515,277,829

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:

12,711,043

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:

(3,169,001)

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to government-wide statements, consist of:

General obligation bonds payable	286,797,718	
Certificates of participation payable	21,464,272	
Subscription based IT arrangements	646,207	
Lease liability	312,540	
Compensated absences	3,541,330	
Other postemployment benefits payable	101,316,306	
Net pension liability	<u>437,097,354</u>	
Total:		(851,175,727)

In governmental funds, deferred outflows and inflows of resources relating to pensions and other post employment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred outflows of resources	186,248,427	
Deferred inflows of resources	<u>(122,137,696)</u>	
Net:		64,110,731

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for the internal service fund is:

11,265,494

Total net position - governmental activities \$ 330,032,597

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

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 476,868,881	\$ -	\$ -	\$ 476,868,881
Federal sources	45,528,890	20,516,397	1,533,760	67,579,047
Other state sources	194,214,176	10,126,511	9,684,053	214,024,740
Other local sources	12,197,749	455,424	48,722,821	61,375,994
Total Revenues	728,809,696	31,098,332	59,940,634	819,848,662
EXPENDITURES				
Current:				
Instruction	390,482,173	-	8,879,486	399,361,659
Instruction-related services:				
Supervision of instruction	46,547,116	-	2,386,524	48,933,640
Instructional library, media and technology	5,087,399	-	-	5,087,399
School site administration	36,199,457	-	469,885	36,669,342
Pupil support services:				
Home-to-school transportation	9,292,306	-	-	9,292,306
Food services	755,277	25,580,056	33,841	26,369,174
All other pupil services	38,174,031	-	490,029	38,664,060
Ancillary services	107,975	-	2,896,459	3,004,434
Community services	19,819	-	-	19,819
Enterprise activities	3,263,692	-	-	3,263,692
General administration services:				
Data processing services	13,847,313	-	-	13,847,313
Other general administration	14,514,772	-	-	14,514,772
Plant services	61,959,185	448	1,498,156	63,457,789
Transfers of indirect costs	(1,037,488)	601,146	436,342	-
Intergovernmental	255,422	-	-	255,422
Capital outlay	6,860,579	840,603	23,306,842	31,008,024
Debt service:				
Principal	1,659,336	-	6,390,000	8,049,336
Interest	1,092	-	7,901,781	7,902,873
Total Expenditures	627,989,456	27,022,253	54,689,345	709,701,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,820,240	4,076,079	5,251,289	110,147,608
OTHER FINANCING SOURCES (USES)				
Proceeds from IT subscriptions	1,796,415	-	-	1,796,415
Total Other Financing Sources and Uses	1,796,415	-	-	1,796,415
Net Change in Fund Balances	102,616,655	4,076,079	5,251,289	111,944,023
Fund Balances, July 1, 2022	233,510,849	26,093,673	209,463,683	469,068,205
Fund Balances, June 30, 2023	\$ 336,127,504	\$ 30,169,752	\$ 214,714,972	\$ 581,012,228

FONTANA UNIFIED SCHOOL DISTRICT

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

Total net change in fund balances - governmental funds	\$ 111,944,023
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Amounts reported for governmental activities in the statement of activities are different because:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures, depreciation expense, and amortization expense for the period was:

Expenditures for capital outlay	31,679,155	
Depreciation expense	(23,544,386)	
Expenditures for subscriptions	1,796,415	
Amortization expense	<u>(1,407,139)</u>	
Net:		8,524,045

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:

(1,416,006)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were:

8,049,336

In governmental funds, proceeds from debt issuances are reported as other financing sources. In the government-wide statements, proceeds from issuances are reported as a liability. Proceeds from issuances for the year were::

(1,796,415)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. Changes to deferred amounts on refunding during the year were:

(1,046,126)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was:

1,050,274

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The change in accreted interest for the year was:

(1,923,404)

In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

111,543

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

397,672

In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was:

19,777,788

In government funds, OPEB costs are recognized when employer contributions are made in the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was:

3,466,434

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

1,040,455

Change in net position of governmental activities

\$ 148,179,619

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2023

	Governmental Activities Internal Service Fund
ASSETS	
Deposits and investments	\$ 15,243,123
Accounts receivable	149,613
Due from other funds	4,224,639
Total assets	19,617,375
LIABILITIES	
Current liabilities:	
Accounts payable	253,413
Due to other funds	313,070
Long-term liabilities:	
Estimated liability for open claims and IBNRs	7,785,398
Total liabilities	8,351,881
NET POSITION	
Restricted	\$ 11,265,494

FONTANA UNIFIED SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund**
For the Fiscal Year Ended June 30, 2023

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	\$ 4,228,073
Other local revenues	<u>(81,132)</u>
Total operating revenues	<u>4,146,941</u>
OPERATING EXPENSES	
Payments for personnel costs	286,126
Payments for materials and supplies	149,376
Payments for claims and other operating expenses	<u>3,013,741</u>
Total operating expenses	<u>3,449,243</u>
OPERATING INCOME (LOSS)	697,698
NON-OPERATING REVENUES	
Interest income	<u>342,757</u>
Change in net position	1,040,455
Net position, July 1, 2022	<u>10,225,039</u>
Net position, June 30, 2023	<u><u>\$ 11,265,494</u></u>

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from in-district premiums	\$ 4,020,778
Payments to employees and fringe benefits	(47,316)
Payments to vendors and suppliers	(111,478)
Payments on insurance claims	(2,661,483)
Other receipts (payments)	(101,226)
Net cash provided (used) by operating activities	<u>1,099,275</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>244,945</u>
Net increase (decrease) in cash and cash equivalents	1,344,220
Cash and cash equivalents, July 1, 2022	<u>13,898,903</u>
Cash and cash equivalents, June 30, 2023	<u><u>\$ 15,243,123</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 697,698</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Due from other funds	(207,295)
Estimated liability for open claims and IBNRs	352,258
Accounts payable and accrued liabilities	37,898
Due to other funds	<u>238,810</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,099,275</u></u>

FONTANA UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2023*

	Trust Funds		Total
	Retiree Benefits Fund	Pension Trust Fund	
ASSETS			
Deposits and investments	\$ 83,002,989	\$ 30,843,108	\$ 113,846,097
Accounts receivable	8,499,852	-	8,499,852
Total assets	91,502,841	30,843,108	122,345,949
LIABILITIES			
Accounts payable	-	-	-
NET POSITION			
Restricted for postemployment benefits	<u>\$ 91,502,841</u>	<u>\$ 30,843,108</u>	<u>\$ 122,345,949</u>

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2023

	Trust Funds		
	Retiree Benefits Fund	Pension Trust Fund	Totals
ADDITIONS			
Interest	\$ 3,078,558	\$ -	\$ 3,078,558
Increase in fair value of investments	2,781,876	2,057,799	4,839,675
In-district contributions	8,523,999	-	8,523,999
Total Additions	14,384,433	2,057,799	16,442,232
DEDUCTIONS			
Operating expenses	356,798	74,489	431,287
Total Deductions	356,798	74,489	431,287
Change in net position	14,027,635	1,983,310	16,010,945
Net position - July 1, 2022	77,475,206	28,859,798	106,335,004
Net position - June 30, 2023	<u>\$ 91,502,841</u>	<u>\$ 30,843,108</u>	<u>\$ 122,345,949</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities of the District.

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

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Fontana Unified School District Public Financing Authority (the "Authority") financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund. Certificates of participation and other debt issued by the Authority are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Authority.

The Fontana Unified School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units. Individually prepared financial statements are not prepared for each of the CFDs.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

District-Wide Financial Statements (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay Projects which does not meet the definition of a special revenue fund as it is not primarily composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

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

Non-Major Governmental Funds

The District reports the following non-major governmental funds:

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

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

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

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.).

County School Facilities Fund: This fund is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

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

Capital Projects Fund for Blended Component Units: This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds in the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

Fiduciary Funds

Fiduciary funds are used to account for assets held in a trustee or custodial capacity for others that cannot be used to support the District's own programs. The key distinction between trust and custodial funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following fiduciary funds:

Retiree Benefits Fund: This fund is used to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

Pension Trust Fund: This fund is used to account separately for amounts held in trust to address the future ongoing cost increases.

2. Measurement Focus, Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting (continued)

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

C. Budgetary Data

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

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

3. Capital Assets

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

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

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Deferred Outflows/Inflows of Resources (continued)

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

6. Compensated Absences

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

7. Leases

Lessee:

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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

Lessor:

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases (continued)

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

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

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

8. Subscription-Based Information Technology Arrangements

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

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

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

9. Postemployment Benefits Other Than Pensions (OPEB)

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Pensions

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

11. Fund Balances

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

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

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

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

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

The District has established and maintains reservations of fund balance in accordance with GASB No. 54. Fund balance measures the net financial resources available to finance expenditures of future periods. The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Education.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Minimum Fund Balance Policy (continued)

Fund balance of the District may be committed for a specific source by formal action of the Board of Education. Amendments or modification to the committed fund balance must also be approved by formal action of the Board of Education. Committed fund balance does not lapse at year-end. The formal action required to commit fund balance shall be by board resolution or majority vote.

The Board of Education delegates authority to assign fund balance for a specific purpose to the Associate Superintendent, Business Services of the District with notification at the next scheduled Board Meeting to the Board of Education.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and lastly, the unassigned fund balance.

The District currently adheres to the state mandated minimal level of fund balance as outlined in Title V of the California Code of Regulations Section 15443, Reserve.

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	\$ 651,219,988
Proprietary funds	15,243,123
Governmental Activities	666,463,111
Fiduciary funds	113,846,097
Total deposits and investments	<u>\$ 780,309,208</u>

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

Cash on hand and in banks	\$ 2,027,678
Cash in revolving fund	370,820
Investments	777,910,710
Total deposits and investments	<u>\$ 780,309,208</u>

Investment security ratings reported as of June 30, 2023, are defined by Morningstar or Standard and Poors.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Pooled Funds

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions.

In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2023, \$1,952,266 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Interest Rate Risk (continued)

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

Investment maturities:	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
San Bernardino County Investment Pool	\$ 618,213,655	\$ 618,213,655	\$ -	uncategorized	N/A
US Bank Money Market	45,872,258	45,872,258	-	Level 2	N/A
Benefit Trust Company:					
Fixed Income	40,565,432	40,565,432	-	Level 2	N/A
Domestic Equities	28,018,351	28,018,351	-	Level 2	N/A
International Equities	8,434,439	8,434,439	-	Level 2	N/A
Real Estate	5,963,467	5,963,467	-	Level 2	N/A
Public Agency Retirement System:					
Vanguard Conservative Fund	15,518,340	15,518,340	-	Level 2	N/A
Vanguard Balanced Fund	15,324,768	15,324,768	-	Level 2	N/A
Total	<u>\$ 777,910,710</u>	<u>\$ 777,910,710</u>	<u>\$ -</u>		

Investments - Credit Risk

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

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the District had the following investment that represented more than five percent of the District's net investments (excluding cash in county):

US Bank Money Market	28.7%
Benefit Trust Company:	
Fixed Income	25.4%
Domestic Equities	17.5%
Public Agency Retirement System:	
Vanguard Conservative Fund	9.7%
Vanguard Balanced Fund	9.6%

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements

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

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

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

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	Governmental Funds				Proprietary Fund	Fiduciary Fund
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Totals	Self-Insurance Fund	Retiree Benefit Fund
Federal Government:						
Categorical aid programs	\$ 8,680,064	\$ 4,561,658	\$ 433,635	\$ 13,675,357	\$ -	\$ -
State Government:						
Lottery	2,064,940	-	-	2,064,940	-	-
Categorical aid programs	10,321,232	1,279,781	298,621	11,899,634	-	-
Local:						
Interest	2,729,668	206,189	1,222,113	4,157,970	129,288	50
Other local resources	819,599	4,800	2,257,609	3,082,008	20,325	8,499,802
Total	<u>\$ 24,615,503</u>	<u>\$ 6,052,428</u>	<u>\$ 4,211,978</u>	<u>\$ 34,879,909</u>	<u>\$ 149,613</u>	<u>\$ 8,499,852</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

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

	Due From Other Funds				Total
	General Fund	Cafeteria Fund	Total Governmental Funds	Proprietary Fund	
General Fund	\$ -	\$ 175,124	\$ 175,124	\$ 4,033,236	\$ 4,208,360
Cafeteria Fund	2,205,939	-	2,205,939	108,330	2,314,269
Non-Major Governmental Funds	1,844,317	-	1,844,317	83,073	1,927,390
Self-Insurance Fund	294,510	18,560	313,070	-	313,070
Total	<u>\$ 4,344,766</u>	<u>\$ 193,684</u>	<u>\$ 4,538,450</u>	<u>\$ 4,224,639</u>	<u>\$ 8,763,089</u>

General Fund to Cafeteria Fund for catering charges, salary costs, and bad debt	\$ 175,124
General Fund to Self-Insurance Fund for district premiums and contributions	4,033,236
Adult Education Fund to General Fund for indirect costs, block grant, and benefits	167,412
Adult Education Fund to Self-Insurance Fund for workers compensation	13,831
Child Development Fund to General Fund for printing, indirect costs, and suspense account transfer	1,321,246
Child Development Fund to Self-Insurance Fund for workers compensation	69,242
Cafeteria Fund to General Fund for fuel charges, indirect costs, and suspense account transfer	2,205,939
Cafeteria Fund to Self-Insurance Fund for workers compensation	108,330
Capital Facilities Fund to General Fund for indirect costs	355,659
Self-Insurance Fund to General Fund for workers compensation	294,510
Self-Insurance Fund to Cafeteria Fund for workers compensation	18,560
Total	<u>\$ 8,763,089</u>

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2023***NOTE 5 – FUND BALANCES**

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

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 200,000	\$ -	\$ 20,820	\$ 220,820
Inventories	342,321	119,625	114,178	576,124
Prepaid expenditures	1,190,779	-	-	1,190,779
Total Nonspendable	1,733,100	119,625	134,998	1,987,723
Restricted:				
Categorical programs	154,157,970	-	-	154,157,970
Student activities	-	-	2,016,064	2,016,064
Adult education program	-	-	908,484	908,484
Child development program	-	-	2,127,540	2,127,540
Food service program	-	30,050,127	-	30,050,127
Capital projects	-	-	194,574,445	194,574,445
Debt service	-	-	14,778,611	14,778,611
Total Restricted	154,157,970	30,050,127	214,405,144	398,613,241
Committed:				
AB218 actuarial projections	225,000	-	-	225,000
Fontana new middle school	25,525,314	-	-	25,525,314
Acquisition & construction North K-8 School	72,863,435	-	-	72,863,435
CBRS Network	29,643,951	-	-	29,643,951
Reserve for loss of future funding & operational costs	6,821,889	-	-	6,821,889
Total Committed	135,079,589	-	-	135,079,589
Assigned:				
School site carryover	1,330,245	-	-	1,330,245
Supplemental and concentration carryover	1,046,319	-	-	1,046,319
Other assignments	12,816,845	-	174,830	12,991,675
Total Assigned	15,193,409	-	174,830	15,368,239
Unassigned:				
Reserve for economic uncertainties	24,960,232	-	-	24,960,232
Remaining unassigned balances	5,003,204	-	-	5,003,204
Total Unassigned	29,963,436	-	-	29,963,436
Total	\$ 336,127,504	\$ 30,169,752	\$ 214,714,972	\$ 581,012,228

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2022	Additions	Retirements	Balance, June 30, 2023
Capital assets not being depreciated:				
Land	\$ 59,340,012	\$ -	\$ -	\$ 59,340,012
Construction in progress	14,568,410	19,504,477	-	34,072,887
Total capital assets not being depreciated	73,908,422	19,504,477	-	93,412,899
Capital assets being depreciated:				
Improvement of sites	83,161,951	4,043,150	-	87,205,101
Buildings	682,222,310	4,099,018	-	686,321,328
Equipment	84,823,658	4,032,510	2,292,830	86,563,338
Total capital assets being depreciated	850,207,919	12,174,678	2,292,830	860,089,767
Accumulated depreciation for:				
Improvement of sites	(55,029,808)	(3,338,176)	-	(58,367,984)
Buildings	(301,736,822)	(15,928,319)	-	(317,665,141)
Equipment	(60,000,769)	(4,277,891)	(876,824)	(63,401,836)
Total accumulated depreciation	(416,767,399)	(23,544,386)	(876,824)	(439,434,961)
Total capital assets being depreciated, net	433,440,520	(11,369,708)	1,416,006	420,654,806
Leased Assets				
Building leases	727,807	-	-	727,807
Equipment leases	601,972	-	601,972	-
Accumulated amortization for:				
Building leases	(207,945)	(207,945)	-	(415,890)
Equipment leases	(300,986)	(300,986)	(601,972)	-
Total leased assets, net	820,848	(508,931)	-	311,917
Subscription Assets				
IT subscriptions	-	1,796,415	-	1,796,415
Accumulated amortization for:				
IT subscriptions	-	(898,208)	-	(898,208)
Total leased assets, net	-	898,207	-	898,207
Governmental activity capital assets, net	\$ 508,169,790	\$ 8,524,045	\$ 1,416,006	\$ 515,277,829

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

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

	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 269,259,839	\$ -	\$ 4,740,000	\$ 264,519,839	\$ 5,195,000
Accreted interest component	12,605,079	1,923,404	-	14,528,483	-
Unamortized issuance premium	8,599,502	-	850,106	7,749,396	850,106
Total - Bonds	290,464,420	1,923,404	5,590,106	286,797,718	6,045,106
Certificates of Participation:					
Principal repayments	20,515,000	-	1,650,000	18,865,000	1,720,000
Unamortized issuance premium	2,799,440	-	200,168	2,599,272	200,168
Total - Certificates of Participation	23,314,440	-	1,850,168	21,464,272	1,920,168
Leases	821,668	-	509,128	312,540	208,256
Subscription Based IT Arrangements	-	1,796,415	1,150,208	646,207	646,207
Compensated Absences	3,939,002	-	397,672	3,541,330	-
Claims Liability	7,433,140	352,258	-	7,785,398	-
Totals	\$ 325,972,670	\$ 4,072,077	\$ 9,497,282	\$ 320,547,465	\$ 8,819,737

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of Participation payments are made by the Capital Projects Fund for Blended Component Units. Subscription and lease payments are made from the General Fund. Accumulated vacation and other postemployment benefits will be paid for by the fund for which the employee worked. Claims payments will be paid from the Self-Insurance Fund.

A. General Obligation Bonds

Election of 2006

On June 6, 2006, an election was held where the registered voters in the District approved by a fifty-five percent majority the issuance and sale of \$275 million principal amount of general obligation bonds. The bonds are being issued to acquire, construct, renovate and equip certain District facilities. As of June 30, 2023, there are three bond issuances outstanding from this authorization: the Series B, Series C, and Series 2020 Bonds.

The bonds were issued to finance the construction and modernization of school facilities and to pay costs of issuance of the bonds. The Bonds are general obligations of the District, and the County is empowered and obligated to levy ad valorem taxes upon all property within the District subject to taxation for the payment of interest on and principal of the Bonds when due.

2020 General Obligation Refunding Bonds

On July 15, 2020, the District issued \$158,315,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 0.66% and 2.90% with annual maturities from August 1, 2021 through August 1, 2044. The net proceeds of \$155,585,439 (after issuance costs and underwriter's discount) were used to prepay a portion of the 2006B General Obligation Bonds, all of the 2006C General Obligation Bonds, all of the 2009 Refunding Bonds, and a portion of the 2012 Refunding Bonds, and to pay costs of issuance of the refunding bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. As of June 30, 2023, none of the principal balance on the defeased debt remains outstanding.

Prior-Year Defeasance of Debt

In prior years the District has issued refunding bonds for the purposes of defeasing previously issued bonds. The net proceeds of these bonds were used to purchase U.S. government securities, which were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. As of June 30, 2023, there was no principal balance outstanding on the previously defeased debt.

Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2023 of \$11,639,846 remain to be amortized.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

A. General Obligation Bonds (continued)

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
Refunding Bonds								
2014R	5/22/2014	8/1/2031	2.25%-5.0%	12,975,000	\$ 2,365,000	\$ -	\$ 160,000	\$ 2,205,000
2016R	6/1/2016	8/1/2029	2.0%-5.0%	49,910,000	39,305,000	-	3,860,000	35,445,000
2020R	7/15/2020	8/1/2044	0.66%-2.90%	158,315,000	154,290,000	-	720,000	153,570,000
				Subtotal Refunding Bonds	195,960,000	-	4,740,000	191,220,000
Measure C (2006)								
2006B	3/11/2008	8/1/2033	3.0% - 5.25%	70,585,909	8,299,839	-	-	8,299,839
Series 2020	7/15/2020	8/1/2044	2.125%-5.000%	67,150,000	65,000,000	-	-	65,000,000
				Subtotal Measure C	73,299,839	-	-	73,299,839
				Total	\$ 269,259,839	\$ -	\$ 4,740,000	\$ 264,519,839
			Accreted Interest	Series	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
				2006B	\$ 12,605,079	\$ 1,923,404	\$ -	\$ 14,528,483

The annual requirements to amortize general obligation bonds outstanding at June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2023-2024	\$ 5,195,000	\$ 6,885,638	\$ 12,080,638
2024-2025	5,990,000	6,642,037	12,632,037
2025-2026	6,865,000	6,364,816	13,229,816
2026-2027	7,810,000	6,050,078	13,860,078
2027-2028	8,710,000	5,799,418	14,509,418
2028-2033	20,738,029	54,276,158	75,014,187
2033-2038	81,061,810	37,740,325	118,802,135
2038-2043	100,150,000	10,275,063	110,425,063
2043-2045	28,000,000	668,000	28,668,000
Total	\$ 264,519,839	\$ 134,701,533	\$ 399,221,372

B. Certificates of Participation

On April 25, 2007, the District issued \$49,910,000 in certificates of participation through the Fontana Unified School District Public Financing Authority for the purpose of providing funds for the construction and improvement of certain school facilities. Payments will be financed through CFD resources.

2016 Refunding Certificates of Participation

On June 8, 2016, the District issued \$27,945,000 in Certificates of Participation. The certificates bear fixed interest rates ranging between 3.0% and 5.0% with annual maturities from September 1, 2016 through September 1, 2035. The net proceeds of \$38,711,200 (including premiums of \$3,960,745, issuance costs of \$555,688, and other reserve sources of \$7,361,143) were used to prepay a portion of the District's outstanding 2007 Certificates of Participation.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

B. Certificates of Participation (continued)

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2023 of \$1,071,197 remain to be amortized for this refunding. As of June 30, 2023, the principal balance outstanding on the defeased debt has been paid in full.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2023-2024	\$ 1,720,000	\$ 714,450	\$ 2,434,450
2024-2025	1,795,000	626,575	2,421,575
2025-2026	1,835,000	545,000	2,380,000
2026-2027	1,935,000	469,600	2,404,600
2027-2028	1,920,000	392,500	2,312,500
2028-2033	6,430,000	1,056,500	7,486,500
2033-2036	3,230,000	140,550	3,370,550
Total	<u>\$ 18,865,000</u>	<u>\$ 3,945,175</u>	<u>\$ 22,810,175</u>

C. Leases

The District is involved in several leases for both equipment and facilities. The initial terms for these leases range from 60 to 63 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. Other key assumptions and policies can be found in Note 1.E.7. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest	Total
2023-2024	\$ 208,256	\$ 399	\$ 208,655
2024-2025	104,284	43	104,327
Total	<u>\$ 312,540</u>	<u>\$ 442</u>	<u>\$ 312,982</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

D. Subscription Based IT Arrangements

The District is involved in an arrangement for subscription based software. The initial term for this subscription is 24 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the state interest rate or the State's incremental borrowing rate at inception to discount the subscription payments to the net present value. Other key assumptions and policies can be found in Note 1.E.8. The related asset disclosures are presented in Note 6.

Fiscal Year	Principal	Interest	Total
2023-2024	\$ 646,207	\$ -	\$ 646,207

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 99,463,874	\$ 20,497,036	\$ 43,689,147	\$ 13,939,787
MPP Program	1,852,432	-	-	(369,434)
Total	\$ 101,316,306	\$ 20,497,036	\$ 43,689,147	\$ 13,570,353

The details of each plan are as follows:

District Plan

Plan Description

The District's single-employer defined benefit plan provides OPEB for eligible certificated, classified, police, and management employees of the District. Benefits are funded through the Futuris Public Entity Investment Trust ("Futuris"). The Trust is an IRS Section 115 Trust that is used for the purposes of investment and disbursement of funds irrevocably designated by the District for the payment of its obligations to eligible employees and former employees of the District and their eligible dependents and beneficiaries for life, sick, hospitalization, major medical, accident, disability, dental and other similar benefits (sometimes referred to as "other post-employment benefits," or "OPEB.") The Trust was established and is managed in compliance with the applicable Governmental Accounting Standards Board (GASB) standards for OPEB.

The District's governing board delegates investment authority to a Retirement Board of Authority. The governing board of the District is authorized to make decisions for the Plan. The function of the Retirement Board of Authority is similar to that of a Plan Committee who is authorized to carry out certain policies as determined under the Plan. In compliance with the Government Code, the Board would typically consist of the Treasurer of the Agency and other appropriate individuals designated by the Governing Board or as updated by the Retirement Board of Authority.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

District Plan

Plan Description (continued)

The Retirement Board of Authority approves the Investment Policy Statement (IPS), which dictates fixed investment options, risk tolerance strategies and asset class investing. The Retirement Board of Authority can reduce its legal liability for investment risk and retain Government Code immunity and indemnifications if they appropriately delegate authority to a qualified investment advisor/manager and if they monitor the performance of the investment advisor/manager. Further, a Registered Investment Advisor (RIA) is under the direction of the Discretionary Trustee, which provides additional layers of safety and responsibility.

Benefits Provided

Benefit Types Provided	Certificated	Classified and Police	Management
	Medical, Dental and Vision	Medical, Dental and Vision	Medical, Dental and Vision
Duration of Benefits	6 years	6 years	6 years
Required Service	15 years	15 years	15 years
Minimum Age	50	50	50
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100%	100%	100%
District Cap	None	None	None

Retirees may elect 6 years of a full benefits Package (including medical, dental, vision and life insurance) or 8 years of medical coverage only. Employees with at least 35 years of service (33 years for management and classified) receive lifetime medical coverage and 6 years of dental, vision and life insurance coverage. Married employees who are both employed by Fontana USD, and have entitlement to these benefits, may elect to receive benefits consecutively subject to certain restrictions. Certain retirees may defer receipt of retiree benefits subject to certain restrictions.

Employees covered by benefit terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	183
Active employees	3,213
Total	3,396

Contributions

The Trust provides a uniform method of investing contributions and earnings of all contributed amounts between funds deposited within the Benefit Fund or the General Fund, as those terms are defined within the Trust. The Trust is funded primarily by contributions made by the employer, but also may include other contributions made by any participant as determined necessary and appropriate under applicable circumstances. These contributions shall be remitted to the Trust on a discretionary basis. Plan members are not required to contribute to the plan.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

District Plan (continued)

Net OPEB Liability

The District's net OPEB liability is reported as of June 30, 2023 for the employer fiscal year and reporting period of July 1, 2022 to June 30, 2023. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2023 and are based on a valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2023
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

Mortality Rates

Mortality rates are based on:

Certificated	2020 CalSTRS Mortality
Classified	2021 CalPERS Mortality for Miscellaneous and Schools Employees
Police	2021 CalPERS Mortality for Safety Employees

Long-Term Expected Rate of Return on OPEB Plan Investments

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Fixed Income	55%	4.25%
Real Estate Investment Trusts	4%	7.25%
All Domestic Equities	22%	7.25%
All International Equities	19%	7.25%

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

District Plan (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 5.55 percent. The projection of cash flows used to determine the discount rate assumed that District 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 sufficient to fully fund the obligation over a period not to exceed 30 years. 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 Liability

	Total OPEB Liability	Fiduciary* Net Position	Net OPEB Liability
Balance at July 1, 2022	\$ 202,226,669	\$ 68,767,639	\$ 133,459,030
Changes for the year:			
Service cost	7,417,349	-	7,417,349
Interest/Return	11,198,355	5,860,435	5,337,920
Administrative expenses	-	(356,797)	356,797
Differences between expected and actual experience	(35,427,049)	-	(35,427,049)
Changes of assumptions	5,356,614		5,356,614
Employer Contributions	-	17,036,787	(17,036,787)
Benefit payments	(8,326,374)	(8,326,374)	-
Net changes	(19,781,105)	14,214,051	(33,995,156)
Balance at June 30, 2023	\$ 182,445,564	\$ 82,981,690	\$ 99,463,874

*Fiduciary Net Position does not include \$8,499,852 in contributions receivable or \$21,299 cash held in the County Treasury that is recorded in these financial statements as of June 30, 2023.

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

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

Discount Rate	OPEB Liability
1% decrease	\$ 123,378,729
Current discount rate	\$ 99,463,874
1% increase	\$ 79,502,627

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

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 74,651,203
Current trend rate	\$ 99,463,874
1% increase	\$ 130,617,320

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2023***NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)****District Plan (continued)*****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2023, the District recognized OPEB expense of \$13,939,787. In addition, at June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 43,689,147
Changes of assumptions	14,187,979	-
Net difference between projected and actual earnings on OPEB plan investments	6,309,057	-
Total	<u>\$ 20,497,036</u>	<u>\$ 43,689,147</u>

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 3,338,384	\$ 4,410,141
2025	3,188,416	4,410,141
2026	5,324,807	4,410,141
2027	1,364,314	4,410,141
2028	1,726,716	4,410,141
Thereafter	5,554,399	21,638,442
Totals	<u>\$ 20,497,036</u>	<u>\$ 43,689,147</u>

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

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

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

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 22950, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability

At June 30, 2023, the District reported a liability of \$1,852,432 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2022, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total OPEB liability to June 30, 2022. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net OPEB Liability	0.562347%	0.557049%	0.005298%

For the year ended June 30, 2023, the District reported OPEB expense of \$(369,434).

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs

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

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

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population of 145,282.

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

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

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

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2023*

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**Medicare Premium Payment (MPP) Program (continued)*****Sensitivity of the proportionate share of the net OPEB liability to changes in the discount rate***

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 2,472,403
Current discount rate	\$ 1,852,432
1% increase	\$ 1,707,769

Sensitivity of the proportionate share of the net OPEB liability to changes in the Medicare costs trend rates

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 1,699,677
Current trend rate	\$ 1,852,432
1% increase	\$ 2,025,590

NOTE 9 – PENSION PLANS

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

For the fiscal year ended June 30, 2023, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 260,363,383	\$ 72,200,237	\$ 38,112,094	14,805,434
CalPERS	176,733,971	93,551,154	40,336,455	22,760,029
Total	<u>\$ 437,097,354</u>	<u>\$ 165,751,391</u>	<u>\$ 78,448,549</u>	<u>\$ 37,565,463</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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

The STRP is a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Contributions

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

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

The contribution rates for each program for the year ended June 30, 2023, are presented above, and the District's total contributions were \$45,272,498.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	260,363,383
State's proportionate share of the net pension liability associated with the District		<u>130,388,965</u>
Total	\$	<u><u>390,752,348</u></u>

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	
Proportion of the Net Pension Liability	0.374699%	0.370585%	0.004114%

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2023***NOTE 9 – PENSION PLANS (continued)****A. California State Teachers' Retirement System (CalSTRS)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2023, the District recognized pension expense of \$14,805,434. In addition, the District recognized pension expense and revenue of \$(9,752,146) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 45,272,498	\$ -
Net change in proportionate share of net pension liability	13,802,031	5,858,000
Difference between projected and actual earnings on pension plan investments	-	12,732,274
Changes of assumptions	12,912,129	-
Differences between expected and actual experience	213,578	19,521,821
Total	<u>\$ 72,200,237</u>	<u>\$ 38,112,094</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 14,549,647	\$ 15,188,218
2025	3,735,124	16,184,918
2026	3,735,124	20,040,309
2027	3,060,764	(18,149,018)
2028	873,576	3,328,732
Thereafter	973,503	1,518,935
Total	<u>\$ 26,927,739</u>	<u>\$ 38,112,094</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

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

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

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 442,193,592
Current discount rate (7.10%)	260,363,383
1% increase (8.10%)	109,389,641

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$20,917,100.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

Benefits Provided

Schools

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

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before 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
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	25.37%	25.37%

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided (continued)

Schools (continued)

Safety

The Plan 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 credited service, equal to one year of full-time employment. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members 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 death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Safety Risk Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	3% at 50	2.7% at 57
Benefit Formula	5 years of service	5 years of service
Benefit Vesting Schedule	Monthly for life	Monthly for life
Benefit Payments	50	57
Retirement Age	2.0%-3.0%	2.0%-2.7%
Monthly Benefits as a Percentage of Eligible Compensation	Varies	Varies
Required Employee Contribution Rate	Varies	Varies
Required Employer Contribution Rate		

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023 are presented above, and the total District contributions were \$22,231,172.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2023***NOTE 9 – PENSION PLANS (continued)****B. California Public Employees Retirement System (CalPERS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$176,733,971. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Schools Risk Pool		
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	Change Increase/ (Decrease)
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.5050455%	0.5016112%	0.0034342%

For the year ended June 30, 2023, the District recognized pension expense of \$22,760,029. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 22,231,172	\$ -
Net change in proportionate share of net pension liability	2,506,654	2,287,720
Difference between projected and actual earnings on pension plan investments	54,715,902	33,689,958
Changes of assumptions	13,179,142	-
Differences between expected and actual experience	918,285	4,358,777
Total	<u>\$ 93,551,154</u>	<u>\$ 40,336,455</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 21,051,902	\$ 14,032,039
2025	19,913,994	13,306,567
2026	17,270,525	12,997,849
2027	13,083,561	-
2028	-	-
Thereafter	-	-
Total	<u>\$ 71,319,982</u>	<u>\$ 40,336,455</u>

Actuarial Methods and Assumptions

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

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

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 251,036,214
Current discount rate (6.9%)	176,733,971
1% increase (7.9%)	109,933,366

C. 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. The District has elected to use the Social Security as its alternative plan.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

D. Payables to the Pension Plans

At June 30, 2023, the District reported payables of \$4,099,719 and \$197,793 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2023.

NOTE 10 – JOINT VENTURES

The Fontana Unified School District participates in joint ventures under joint powers agreements with the Midwest Claims Employees Workers' Comp Excess, Southern California ReLiEF, Riverside Employee/Employer Partnership (REEP), Unified Schools Insurance Program (USIP), and Statewide Educational Wrap Up Program (SEWUP) for benefits. The relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs provide property and liability insurance coverage as well as health and welfare benefits coverage. The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Construction Commitments

As of June 30, 2023, the District had commitments with respect to unfinished capital projects of approximately \$12.1 million to be paid from a combination of State and local funds.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2023.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 12 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. During fiscal year ending June 30, 2023, the District participated in the Southern California ReLiEF public entity risk pool for property and liability insurance coverage above the self-insured retention amounts of \$25,000 for liability claims and \$10,000 for property claims. 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 2021-22, the District was self-funded for workers' compensation for the first \$750,000 of a claim, with excess coverage provided by Mid-West Employers (a fully insured program).

Employee Medical Benefits

The District has contracted with Kaiser, Express Scripts, Blue Shield HMO, and Blue Shield POS to provide employee medical, prescription and surgical benefits, Delta Dental, MetLife Dental and Safe Guard for dental benefits, and MES Vision for vision benefits.

Claims Liability

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

Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District's workers' compensation from July 1, 2021 to June 30, 2023:

	Workers' Compensation
Liability Balance, July 1, 2021	\$ 5,661,879
Claims and changes in estimates	3,048,837
Claims payments	(1,277,576)
Liability Balance, June 30, 2022	7,433,140
Claims and changes in estimates	(638,805)
Claims payments	991,063
Liability Balance, June 30, 2023	<u>\$ 7,785,398</u>
Assets available to pay claims at June 30, 2023	<u>\$ 19,617,375</u>

Required Supplementary Information

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FONTANA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	\$ 450,853,841	\$ 476,849,691	\$ 476,868,881	\$ 19,190
Federal sources	60,736,899	50,577,371	45,528,890	(5,048,481)
Other state sources	85,047,007	166,325,555	194,214,176	27,888,621
Other local sources	2,352,695	14,150,755	11,978,100	(2,172,655)
Total Revenues	598,990,442	707,903,372	728,590,047	20,686,675
Expenditures				
Current:				
Certificated salaries	244,583,397	241,052,115	239,546,571	1,505,544
Classified salaries	82,026,164	81,628,144	81,391,764	236,380
Employee benefits	180,480,809	180,476,273	178,788,321	1,687,952
Books and supplies	34,774,105	43,563,324	37,118,131	6,445,193
Services and other operating expenditures	85,511,284	97,141,070	85,066,155	12,074,915
Capital outlay	11,423,830	18,421,373	6,860,579	11,560,794
Other outgo	(906,914)	(819,674)	(782,065)	(37,609)
Total Expenditures	637,892,675	661,462,625	627,989,456	33,473,169
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(38,902,233)	46,440,747	100,600,591	54,159,844
Other Financing Sources and Uses				
Proceeds from subscriptions	-	-	1,796,415	1,796,415
Interfund transfers out	(3,247,937)	(3,225,569)	-	3,225,569
Total Other Financing Sources and Uses	(3,247,937)	(3,225,569)	1,796,415	5,021,984
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(42,150,170)	43,215,178	102,397,006	59,181,828
Fund Balances, July 1, 2022	215,443,835	220,913,653	220,913,653	-
Fund Balances, June 30, 2023	\$ 173,293,665	\$ 264,128,831	323,310,659	\$ 59,181,828
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Other than Capital Outlay			12,816,845	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			\$ 336,127,504	

FONTANA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal sources	\$ 25,572,269	\$ 20,789,305	\$ 20,516,397	\$ (272,908)
Other state sources	1,379,622	9,903,869	10,126,511	222,642
Other local sources	165,000	396,500	455,424	58,924
Total Revenues	27,116,891	31,089,674	31,098,332	8,658
Expenditures				
Current:				
Classified salaries	9,109,021	9,356,616	9,043,867	312,749
Employee benefits	4,939,570	5,153,580	5,065,638	87,942
Books and supplies	14,068,351	14,527,282	11,369,074	3,158,208
Services and other operating expenditures	804,161	537,095	101,924	435,171
Transfers of indirect costs	1,208,373	1,649,502	601,147	1,048,355
Capital Outlay	449,037	634,431	840,603	(206,172)
Total Expenditures	30,578,513	31,858,506	27,022,253	4,836,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,461,622)	(768,832)	4,076,079	4,844,911
Fund Balances, July 1, 2022	24,016,144	26,093,673	26,093,673	-
Fund Balances, June 30, 2023	\$ 20,554,522	\$ 25,324,841	\$ 30,169,752	\$ 4,844,911

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2023

	<i>Last Ten Fiscal Years*</i>				
CalSTRS	2021-22	2020-21	2019-20	2018-19	2017-18
District's proportion of the net pension liability	0.3747%	0.3706%	0.3753%	0.3722%	0.3583%
District's proportionate share of the net pension liability	\$ 260,363,383	\$ 168,645,710	\$ 363,675,714	\$ 336,178,983	\$ 329,296,551
State's proportionate share of the net pension liability associated with the District	130,388,965	84,855,980	187,474,874	183,408,079	188,537,676
Totals	<u>\$ 390,752,348</u>	<u>\$ 253,501,691</u>	<u>\$ 551,150,588</u>	<u>\$ 519,587,062</u>	<u>\$ 517,834,227</u>
District's covered-employee payroll	<u>\$ 230,950,015</u>	<u>\$ 205,717,848</u>	<u>\$ 203,783,901</u>	<u>\$ 203,382,586</u>	<u>\$ 187,426,292</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112.74%	81.98%	178.46%	165.29%	175.69%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
		2016-17	2015-16	2014-15	2013-14
District's proportion of the net pension liability		0.3523%	0.3630%	0.3620%	0.3150%
District's proportionate share of the net pension liability		\$ 325,829,231	\$ 293,598,030	\$ 243,712,880	\$ 184,076,550
State's proportionate share of the net pension liability associated with the District		192,757,821	167,164,729	128,896,902	111,154,484
Totals		<u>\$ 518,587,052</u>	<u>\$ 460,762,759</u>	<u>\$ 372,609,782</u>	<u>\$ 295,231,034</u>
District's covered-employee payroll		<u>\$ 193,276,161</u>	<u>\$ 183,389,842</u>	<u>\$ 165,939,764</u>	<u>\$ 156,232,242</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		168.58%	160.10%	146.87%	117.82%
Plan fiduciary net position as a percentage of the total pension liability		69%	70%	74%	77%

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

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2023

	<i>Last Ten Fiscal Years*</i>				
	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
CalPERS					
District's proportion of the net pension liability	<u>0.5050%</u>	<u>0.5016%</u>	<u>0.5082%</u>	<u>0.4990%</u>	<u>0.5140%</u>
District's proportionate share of the net pension liability	<u>\$ 173,781,525</u>	<u>\$ 101,999,796</u>	<u>\$ 158,339,580</u>	<u>\$ 147,557,774</u>	<u>\$ 138,962,080</u>
District's covered-employee payroll	<u>\$ 79,999,616</u>	<u>\$ 84,460,453</u>	<u>\$ 75,365,042</u>	<u>\$ 73,988,479</u>	<u>\$ 74,126,166</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>217.23%</u>	<u>120.77%</u>	<u>210.10%</u>	<u>199.43%</u>	<u>187.47%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>
		<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
District's proportion of the net pension liability		<u>0.5170%</u>	<u>0.5041%</u>	<u>0.4889%</u>	<u>0.5236%</u>
District's proportionate share of the net pension liability		<u>\$ 125,305,087</u>	<u>\$ 101,140,188</u>	<u>\$ 73,312,991</u>	<u>\$ 60,529,601</u>
District's covered-employee payroll		<u>\$ 69,032,801</u>	<u>\$ 66,132,732</u>	<u>\$ 58,737,694</u>	<u>\$ 53,355,454</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		<u>181.52%</u>	<u>152.94%</u>	<u>124.81%</u>	<u>113.45%</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2023

	<i>Last Ten Fiscal Years*</i>				
	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
CalSTRS					
Contractually required contribution	\$ 45,272,498	\$ 39,076,743	\$ 35,177,752	\$ 34,847,047	\$ 33,110,685
Contributions in relation to the contractually required contribution	<u>45,272,498</u>	<u>39,076,743</u>	<u>35,177,752</u>	<u>34,847,047</u>	<u>33,110,685</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>237,028,786</u>	<u>230,950,015</u>	<u>205,717,848</u>	<u>\$ 203,783,901</u>	<u>\$ 203,382,586</u>
Contributions as a percentage of covered-employee payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution		\$ 27,045,614	\$ 24,314,141	\$ 19,677,730	\$ 14,735,451
Contributions in relation to the contractually required contribution		<u>27,045,614</u>	<u>24,314,141</u>	<u>19,677,730</u>	<u>14,735,451</u>
Contribution deficiency (excess):		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll		<u>\$ 187,426,292</u>	<u>\$ 193,276,161</u>	<u>\$ 183,389,842</u>	<u>\$ 165,939,764</u>
Contributions as a percentage of covered-employee payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

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

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2023

	<i>Last Ten Fiscal Years*</i>				
	2022-23	2021-22	2020-21	2019-20	2018-19
CalPERS					
Contractually required contribution	\$ 22,231,172	\$ 18,327,912	\$ 16,656,446	\$ 14,862,740	\$ 13,944,745
Contributions in relation to the contractually required contribution	<u>22,231,172</u>	<u>18,327,912</u>	<u>16,656,446</u>	<u>14,862,740</u>	<u>13,944,745</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>87,627,797</u>	<u>79,999,616</u>	<u>84,460,453</u>	<u>\$ 75,365,042</u>	<u>\$ 73,988,479</u>
Contributions as a percentage of covered-employee payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		2017-18	2016-17	2015-16	2014-15
Contractually required contribution		\$ 11,638,733	\$ 9,403,240	\$ 7,693,218	\$ 6,799,457
Contributions in relation to the contractually required contribution		<u>11,638,733</u>	<u>9,403,240</u>	<u>7,693,218</u>	<u>6,799,457</u>
Contribution deficiency (excess):		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll		<u>\$ 74,126,166</u>	<u>\$ 69,032,801</u>	<u>\$ 66,132,732</u>	<u>\$ 58,737,694</u>
Contributions as a percentage of covered-employee payroll		<u>15.531%</u>	<u>13.621%</u>	<u>11.633%</u>	<u>11.576%</u>

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

FONTANA UNIFIED SCHOOL DISTRICT

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

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*					
	2022-23 2022-23	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
Total OPEB liability						
Service cost	\$ 7,417,349	\$ 7,218,831	\$ 7,229,988	\$ 7,036,485	\$ 6,199,168	\$ 6,033,254
Interest/Return	11,198,355	10,663,479	11,017,955	10,428,489	9,482,869	8,992,926
Differences between expected and actual experience	(35,427,049)	-	(10,059,648)	-	-	-
Changes in assumptions	5,356,614	-	1,790,631	-	13,515,010	-
Experience gains/losses		-	-	-	(6,250,791)	-
Benefit payments	(8,326,374)	(8,361,973)	(7,244,683)	(7,552,367)	(6,569,848)	(6,753,855)
Net change in total OPEB liability	(19,781,105)	9,520,337	2,734,243	9,912,607	16,376,408	8,272,325
Total OPEB liability - beginning	202,226,669	192,706,332	189,972,089	180,059,482	163,683,074	155,410,749
Total OPEB liability - ending	\$ 182,445,564	\$ 202,226,669	\$ 192,706,332	\$ 189,972,089	\$ 180,059,482	\$ 163,683,074
Plan fiduciary net position						
Contributions - employer	\$ 17,036,787	\$ 16,032,115	\$ 7,244,683	\$ 15,767,223	\$ 13,765,767	\$ 14,992,254
Net investment income	5,860,435	-	14,316,688	3,268,428	2,748,704	1,871,706
Benefit payments	(8,326,374)	(8,361,973)	(7,244,683)	(7,552,367)	(6,569,848)	(6,753,855)
Investment gains/losses	-	(15,337,021)	-	(749,849)	(437,303)	-
Administrative expense	(356,797)	(378,387)	(342,688)	(293,044)	(241,614)	(193,342)
Net change in plan fiduciary net position	14,214,051	(8,045,266)	13,974,000	10,440,391	9,265,706	9,916,763
Plan fiduciary net position - beginning	68,767,639	76,812,905	62,838,905	52,398,514	43,132,808	33,216,045
Plan fiduciary net position - ending	\$ 82,981,690	\$ 68,767,639	\$ 76,812,905	\$ 62,838,905	\$ 52,398,514	\$ 43,132,808
District's net OPEB liability - ending	\$ 99,463,874	\$ 133,459,030	\$ 115,893,427	\$ 127,133,184	\$ 127,660,968	\$ 120,550,266
Plan fiduciary net position as a percentage of the total OPEB liability	45.48%	34.01%	39.86%	33.08%	29.10%	26.35%
Covered payroll	\$ 271,288,093	\$ 264,027,341	\$ 256,960,916	\$ 250,083,616	\$ 243,390,381	\$ 236,876,283
Net OPEB liability as a percentage of covered payroll	36.66%	50.55%	45.10%	50.84%	52.45%	50.89%

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

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of the OPEB Contributions *For the Fiscal Year Ended June 30, 2023*

	Last Ten Fiscal Years*					
Employer Fiscal Year	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Period	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Actuarially determined contribution	\$ 14,607,248	\$ 17,820,073	N/A	N/A	N/A	N/A
Contributions in relation to the actuarially determined contribution	17,036,787	23,250,946	14,474,671	22,803,708	19,964,935	21,025,508
Contribution deficiency (excess)	\$ (2,429,539)	\$ (5,430,873)	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 271,288,093	\$ 264,027,341	\$ 256,960,916	\$ 250,083,616	\$ 243,390,381	\$ 236,876,283
Contributions as a percentage of covered-employee payroll	6.28%	8.81%	5.63%	9.12%	8.20%	8.88%

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

FONTANA UNIFIED SCHOOL DISTRICT*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program**For the Fiscal Year Ended June 30, 2023*

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*					
	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of net OPEB liability	<u>0.5623%</u>	<u>0.5570%</u>	<u>0.5687%</u>	<u>0.5753%</u>	<u>0.5634%</u>	<u>0.5608%</u>
District's proportionate share of net OPEB liability	<u>\$ 1,852,432</u>	<u>\$ 2,221,866</u>	<u>\$ 2,410,191</u>	<u>\$ 2,142,394</u>	<u>\$ 2,156,647</u>	<u>\$ 2,359,144</u>
Covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>(0.94%)</u>	<u>(0.80%)</u>	<u>(0.71%)</u>	<u>(0.81%)</u>	<u>0.40%</u>	<u>0.01%</u>

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

FONTANA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

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

Schedule of District Contributions

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

Schedule of Pension Contributions

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

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate remained at 5.55 percent.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented. As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program; therefore, the covered payroll disclosure is not applicable.

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

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

Supplementary Information

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FONTANA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2023

The Fontana Unified School District was established in 1956. The District boundaries encompass an area of approximately 55 square miles. The District boundaries include the city of Fontana and portions of the cities of Rialto and Rancho Cucamonga, as well as unincorporated areas of the County of San Bernardino. There were no changes to the District's boundaries during the year. The District currently operates 29 elementary schools, seven intermediate schools, five high schools, two continuation high schools, and an adult education and child development program.

GOVERNING BOARD

Member	Office	Term Expires
Mars Serna	President	2026
Adam Perez	Vice President	2026
Jennifer Quezada, Ed.D.	Member	2024
Joe Armendarez	Member	2024
Mary Sandoval	Member	2026

DISTRICT ADMINISTRATORS

Miki R. Inbody,
Interim Superintendent

Douglas F. Staine, Ed.D.,
Associate Superintendent, Human Resources

Jennifer Bourgeois, Ph.D.,
Associate Superintendent, Teaching & Learning

Leslie Barnes, Ed.D.,
Associate Superintendent, Business Services

Monica Makiewicz, Ph.D.,
Associate Superintendent Technology and Digital Integration

Craig Baker,
Assistant Superintendent, Student Services

FONTANA UNIFIED SCHOOL DISTRICT*Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2023*

	Second Period Report	Annual Report
Regular ADA & Extended Year:		
TK/Grades K-3	8,900.16	8,928.27
Grades 4-6	7,044.04	7,055.46
Grades 7-8	4,807.43	4,804.48
Grades 9-12	10,788.76	10,769.59
Total Regular ADA	31,540.39	31,557.80
Special Education-Nonpublic, Nonsectarian Schools:		
TK/Grades K-3	3.19	3.31
Grades 4-6	7.19	7.54
Grades 7-8	7.35	7.29
Grades 9-12	14.89	15.85
Total Special Education-Nonpublic, Nonsectarian Schools	32.62	33.99
Total ADA	31,573.01	31,591.79

FONTANA UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2023*

Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	40,300	180	Complied
Grade 1	50,400	52,340	180	Complied
Grade 2	50,400	52,340	180	Complied
Grade 3	50,400	52,340	180	Complied
Grade 4	54,000	54,024	180	Complied
Grade 5	54,000	54,024	180	Complied
Grade 6	54,000	54,024	180	Complied
Grade 7	54,000	61,253	180	Complied
Grade 8	54,000	61,253	180	Complied
Grade 9	64,800	65,295	180	Complied
Grade 10	64,800	65,295	180	Complied
Grade 11	64,800	65,295	180	Complied
Grade 12	64,800	65,295	180	Complied

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2023

General Fund	(Budget) 2024 ²	2023 ³	2022	2021
Revenues and other financing sources	\$ 687,000,219	\$ 730,386,462	\$ 612,893,423	\$ 620,168,267
Expenditures	670,660,376	627,989,456	611,300,679	545,994,133
Other uses and transfers out	49,151	-	3,079	-
Total outgo	670,709,527	627,989,456	611,303,758	545,994,133
Change in fund balance (deficit)	16,290,692	102,397,006	1,589,665	74,174,134
Ending fund balance	\$ 339,601,351	\$ 323,310,659	\$ 220,913,653	\$ 219,323,988
Available reserves ¹	\$ 26,781,031	\$ 29,963,436	\$ 36,149,462	\$ 36,951,438
Available reserves as a percentage of total outgo	4.0%	4.8%	5.9%	6.8%
Total long-term debt	\$ 850,141,388	\$ 858,961,125	\$ 733,483,212	\$ 974,179,623
Average daily attendance at P-2	30,933	31,573	31,444	N/A

The General Fund balance has increased over the past two years by \$104.0 million. The fiscal year 2023-24 adopted budget projects an increase of \$16.3 million. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in each of the past three years, and anticipates incurring an operating surplus during the 2023-24 fiscal year. Long-term debt has decreased by \$115.2 million over the past two years.

Average daily attendance increased by 129 compared to the prior year. Budgeted ADA for 2023-24 is 30,933.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Revised Final Budget September, 2023.

³ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

FONTANA UNIFIED SCHOOL DISTRICT***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2023***

	General Fund	Building Fund	Internal Service Fund
June 30, 2023, annual financial and budget report (SACS) fund balances	\$ 326,455,413	\$ 55,359,984	\$ 11,741,224
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Accounts payable understated	-	(370,315)	-
Prepays overstated	(3,144,754)	-	-
Claims liability understated	-	-	(228,856)
Removing JPA tracked within fund	-	-	(246,874)
Net adjustments and reclassifications	<u>(3,144,754)</u>	<u>(370,315)</u>	<u>(475,730)</u>
June 30, 2023, audited financial statement fund balances	<u>\$ 323,310,659</u>	<u>\$ 54,989,669</u>	<u>\$ 11,265,494</u>

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 2,906,025	
School Breakfast Program - Basic	10.553	13390	2,706	
National School Lunch Program	10.555	13523	14,084,662	
USDA Donated Foods	10.555	13391	1,481,460	
Total Child Nutrition Cluster				\$ 18,474,853
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	1,903,253	
Child and Adult Care Food Program Cash in Lieu	10.558	13393	138,291	
Total Child and Adult Care Food Program Cluster				2,041,544
Total U.S. Department of Agriculture				20,516,397
U.S. Department of Communications:				
Emergency Connectivity Fund Program	32.009	N/A		239,764
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Education Cluster:				
Adult Secondary Education	84.002	13978	310,845	
Adult Basic Education & ESL	84.002A	14508	332,740	
English Literacy & Civics Education	84.002A	14109	109,775	
Total Adult Education Cluster				753,360
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		12,451,431
Title II, Part A, Supporting Effective Instruction	84.367	14344		1,193,050
English Language Acquisition Grants Cluster				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	1,165,455	
Title III, Immigrant Education Program	84.365	15146	(30,143)	
Subtotal English Language Acquisition Grants Cluster				1,135,312
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		1,241,215
Strengthening Career and Tech. Education Grants				
Strengthening Career and Tech. Education for the 21st Century: Adult, Sect. 132	84.048	14893	15,365	
Strengthening Career and Technical Education for the 21st Century: Secondary, Sec. 131	84.048	14894	389,114	
Subtotal Strengthening Career and Tech. Education Grants				404,479
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	7,941,405	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	7,673	
Preschool Grants, Part B, Sec 619	84.173	13430	189,618	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	405,576	
Preschool Staff Development	84.173A	13431	1,245	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	5,716	
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	184,151	
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	1,708	
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	19,637	
Subtotal Special Education Cluster				8,756,729
Early Intervention Grants				
Early Intervention Grants, Part C	84.181	23761	129,885	
COVID-19 ARP IDEA Part C, Early Education Program	84.181X	25657	67,175	
Subtotal Early Intervention Grants				197,060
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006		301,672
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	472,515	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	7,447,943	
Elementary and Secondary School Emergency Relief III (ESSER III) Learning Loss	84.425U	10155	4,409,267	
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	4,144,133	
Expanded Learning Opportunities (ELO) Grant GEER II	84.425D	15619	951,115	
ASES Rate Increase: ESSER III State Reserve Afterschool Programs	84.425	15649	1,087,145	
Subtotal Education Stabilization Fund				18,512,118
Total U.S. Department of Education				44,946,426
U.S. Department of Health & Human Services:				
Direct Federal to Local Program:				
Head Start	93.600	N/A		376,570
Passed through California Dept. of Education (CDE):				
Now is the Time (NITT) Advancing Wellness & Resilience in Education	93.243	15289		26,713
Child Care and Development Fund Cluster				
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA)				
Act- One-time Stipend	93.575	15555	225,293	
Federal Child Care, Center-based	93.596	13609	127,506	
COVID-19 CARES Act General Child Care and Development (CCTR)	93.575	15549	50,055	
Quality Improvement Activities	93.575	14092	23,363	
COVID-19 ARP California State Preschool Program One-time Stipend	93.575	15640	423,496	
Subtotal Child Care and Development Fund Cluster				849,713
Total U.S. Department of Health & Human Services				1,252,996
Total Expenditures of Federal Awards				\$ 66,955,583
<i>Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.</i>				

See accompanying note to supplementary information.

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2023

<u>Charter School</u>	<u>Number</u>	<u>Inclusion in Financial Statements</u>
Allegiance STEAM Academy - Thrive, Fontana	2130	Not included

FONTANA UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

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 Expenditures of Federal Awards

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

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

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 67,579,047
Differences between Federal Revenues and Expenditures:		
Supply Chain Assistance	10.555	(1,084,711)
Child Development: Federal Child Care, Center-based	93.575	257,995
Child Development: ARP California State Preschool Program One-time Stipend	93.575	423,496
ARP California State Preschool Program	93.575	(220,244)
Total Schedule of Expenditures of Federal Awards		<u>\$ 66,955,583</u>

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Other Independent Auditors' Reports

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Fontana Unified School District
Fontana, California

the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California
December 11, 2023



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

Board of Education
Fontana Unified School District
Fontana, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Fontana Unified School District's 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 Fontana Unified School District's major federal programs for the year ended June 30, 2023. The Fontana Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Fontana Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Nigro + Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
December 11, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Fontana Unified School District
Fontana, California

Report on Compliance

Opinion

We have audited the Fontana Unified School District's (District) compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, Fontana Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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 Fontana Unified School District's state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 2022-23 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

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

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

Areas marked as “Not Applicable” were not operated by the District.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2023-001 and 2023-002.

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

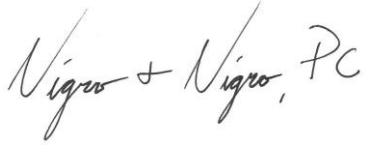
Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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Murrieta, California
December 11, 2023

Schedule of Findings and Questioned Costs

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FONTANA UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2023

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
10.553, 10.555	Child Nutrition Cluster
84.425, 84.425C, 84.425D, 84.425U	COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,008,667
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified
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FONTANA UNIFIED SCHOOL DISTRICT

Financial Statement Findings

For the Fiscal Year Ended June 30, 2023

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

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

There were no financial statement findings in 2022-23.

FONTANA UNIFIED SCHOOL DISTRICT
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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

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

FONTANA UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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

Finding 2023-001: After/Before School Education and Safety Program (40000)

Criteria: The After School Education and Safety Program (ASES) was established to serve pupils in kindergarten through grade nine. In accordance with Education Code Section 8483 (a)(1), there are stringent regulations in operating and reporting attendance for the program.

Condition: For the four schools tested, the District reported attendance for the After School Program that was not consistent with the back-up that the District provided. The District uses attendance programs maintained by an outside provider. The auditor reviewed sign-out sheets at a sample of sites, and noted that all sites recorded students as present who left before 6:00 and had no documented early release code or reason.

Context: Auditor tested After School Program attendance at four of 37 sites, Cypress Elementary, Hemlock Elementary, Kathy Binks Elementary, and Sequoia Middle. All sites showed missing early release codes and could not be reconciled from the sign-out sheets to the semi-annual report. Due to systemic the lack of early release codes, we were unable to determine the total impact to reported attendance numbers.

Cause: The need to consistently obtain early release documentation for students who left before 6:00 was not communicated to the sites or enforced through District review.

Effect: No financial impact.

Recommendation: We recommend the District reconcile their attendance monthly, follow-up on any variances, and provide training to all levels of employees involved with the program regarding all policies and procedures.

Views of Responsible Official: FUSD will evaluate and communicate with the ASES program, specifically regarding monthly attendance. Training will be set up to avoid discrepancies in the future.

FONTANA UNIFIED SCHOOL DISTRICT

State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2023

Finding 2023-002: School Accountability Report Card (72000)

Repeat finding of 2022-001

Criteria: In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year.

Condition: One SARCs reviewed, Locust Elementary, indicated a "Good" structural rating but this was indicated as "Fair" on the FIT form.

Context: SARC reported conditions did not match the FIT Form at one of the 11 schools tested.

Cause: The SARCs were not properly updated to reflect the conditions reported on the FIT.

Effect: None.

Recommendation: We recommend that an employee verify the information presented in the SARC. This information is essential to present the image of the school fairly to the public.

Views of responsible officials: FUSD will ensure there is a thorough review of each school's SARC from the Assessment and Accountability department.

FONTANA UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2023

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>FINDING 2022-001: SCHOOL ACCOUNTABILITY REPORT CARD</i>	In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year. All three reviewed SARCs indicated a "Good" rating in a category that was indicated as "Fair" on the FIT forms. Fontana High's FIT Form reported "Fair" in the interior category. Kaiser High's FIT Form reported "Fair" in the safety category. Randall Pepper Elementary's FIT reported a "Fair" in the interior category.	72000	We recommend that an employee verify the information presented in the SARC. This information is essential to present the image of the school fairly to the public.	Not Implemented see finding 2023-002



To the Board of Education
Fontana Unified School District
Fontana, California

In planning and performing our audit of the basic financial statements of Fontana Unified School District for the fiscal year ending June 30, 2023, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 11, 2023 on the financial statements of Fontana Unified School District.

The following observations and recommendations are not audit findings.

ASSOCIATED STUDENT BODY FUNDS

Observation: During our testing of cash receipts, we noted several collections that were not supported by adequate documentation.

Recommendation: Supporting documentation such as order forms, ticket control worksheets, pre-numbered receipts, and/or other point of sale documentation should be maintained for all transactions. Without these documents, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

Observation: During our testing of disbursements, we noted several purchases that were shipped to personal addresses.

Recommendation: We recommend that items purchased for ASB should be shipped directly to the school site rather than a home address to ensure the items are properly received by the ASB and used for the benefit of the students.

Observation: During our testing of ASBs, we noted at several sites that multiple bank reconciliations were performed late. Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit. In addition, bank reconciliations contained stale dated checks and an outstanding deposit that had remained outstanding for more than two weeks.

Recommendation: We recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives. Furthermore, the Principal or ASB Advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed.

DISTRICT OFFICE

Observation: The District has not taken a physical inventory of capital assets in a number of years. As a result, we observed several capital asset items on the District's capital asset inventory that were several years old (in some cases, as much as 40 or 50 years old), which are likely no longer owned or in use.

Recommendation: The District should either hire a consultant to perform a full physical inventory of all capital assets, or it should identify employees that can perform the inventory count in-house.

We will review the status of the current year comments during our next audit engagement.

A handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California
December 11, 2023