

**FONTANA UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2019**

FONTANA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2019

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Governmental Funds Financial Statements:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Proprietary Fund Financial Statements:	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Net Position	19
Statement of Cash Flows	20
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to Financial Statements	23

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund	72
Budgetary Comparison Schedule – Cafeteria Fund	73
Schedule of Proportionate Share of the Net Pension Liability	74
Schedule of Pension Contributions	75
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	76
Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program	77
Notes to the Required Supplementary Information	78

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure	80
Schedule of Average Daily Attendance	81
Schedule of Instructional Time	82
Schedule of Financial Trends and Analysis	83
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	84
Schedule of Expenditures of Federal Awards	85
Note to the Supplementary Information	86

FONTANA UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2019
Table of Contents

OTHER INDEPENDENT AUDITORS' REPORTS

Page

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 <i>Government Auditing Standards</i>	87
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	89
Independent Auditors' Report on State Compliance.....	91

FINDINGS AND QUESTIONED COSTS

Schedule of Audit Findings and Questioned Costs:	
Summary of Auditors' Results.....	93
Current Year Audit Findings and Questioned Costs	94
Summary Schedule of Prior Audit Findings	98
Management Letter	99

Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Fontana Unified School District
Fontana, California

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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, 2019, 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.

Other Matters

Required Supplementary Information

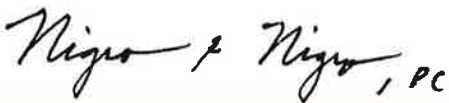
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total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

Other 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 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 81 to 84 and the schedule of expenditures of federal awards on page 85 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 80 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, 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 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 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.



Murrieta, California
December 13, 2019

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

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, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by \$17.6 million, or 14.4%.
- Governmental expenses were about \$581.8 million. Revenues were about \$564.2 million.
- The District acquired \$19.1 million in new capital assets during the year.
- The District decreased its outstanding long-term debt by \$2.9 million. This was primarily due to paying down the outstanding general obligation bond.
- Grades K-12 average daily attendance (ADA) decreased by 748, or 2.1%.
- Governmental funds decreased by \$0.3 million, or 0.1%.
- Reserves for the General Fund decreased by \$1.0 million, or 1.0%.

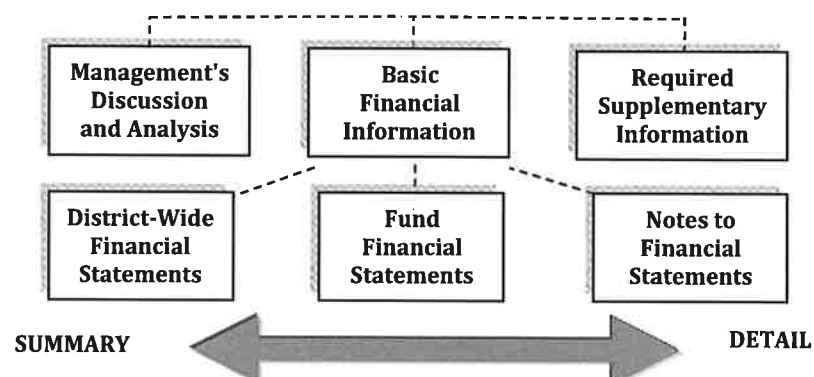
OVERVIEW OF THE FINANCIAL STATEMENTS

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 agent 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, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

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, 2019

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 program for workers' compensation claims.
- 3) **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and retiree benefits fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2019, than it was the year before – decreasing 14.4% to \$104.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2019	2018*	
Assets			
Current assets	\$ 349,341,453	\$ 338,681,803	\$ 10,659,650
Capital assets	538,283,652	542,086,165	(3,802,513)
Total assets	887,625,105	880,767,968	6,857,137
Deferred outflows of resources	161,241,723	153,765,916	7,475,807
Liabilities			
Current liabilities	66,156,129	55,844,048	10,312,081
Long-term liabilities	386,546,113	389,473,361	(2,927,248)
Net pension liability	468,258,631	451,134,318	17,124,313
Total liabilities	920,960,873	896,451,727	24,509,146
Deferred inflows of resources	(23,526,211)	16,144,254	(39,670,465)
Net position			
Net investment in capital assets	346,903,169	333,826,732	13,076,437
Restricted	109,746,270	99,345,903	10,400,367
Unrestricted	(352,269,695)	(311,234,732)	(41,034,963)
Total net position	\$ 104,379,744	\$ 121,937,903	\$ (17,558,159)

*As restated

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 6.2% to \$564.2 million (See Table A-2). The increase is due primarily to increases in property tax revenue.

The total cost of all programs and services increased 11.7% to \$581.8 million. The District's expenses are predominantly related to educating and caring for students, 78.0%. The purely administrative activities of the District accounted for just 4.3% of total costs. A significant contributor to the increase in costs was increases in instruction-related expenses.

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2019	2018	
Revenues			
Program Revenues:			
Charges for services	\$ 8,738,009	\$ 5,521,861	\$ 3,216,148
Operating grants and contributions	103,136,590	98,782,622	4,353,968
Capital grants and contributions	52,251	69,798	(17,547)
General Revenues:			
Property taxes	65,533,787	54,605,549	10,928,238
Federal and state aid not restricted	371,947,281	362,104,114	9,843,167
Other general revenues	14,804,996	10,188,570	4,616,426
Total Revenues	564,212,914	531,272,514	32,940,400
Expenses			
Instruction-related	393,804,181	349,610,251	44,193,930
Pupil services	60,068,029	60,556,873	(488,844)
Administration	25,003,655	23,651,131	1,352,524
Plant services	58,662,807	54,554,210	4,108,597
All other activities	44,232,401	32,454,758	11,777,643
Total Expenses	581,771,073	520,827,223	60,943,850
Increase (decrease) in net position	\$ (17,558,159)	\$ 10,445,291	\$ (28,003,450)
Total net position	\$ 104,379,744	\$ 121,937,903	\$ (17,558,159)

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

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 \$278.9 million, which is below last year's ending fund balance of \$279.1 million. The primary cause of the decreased fund balance is an operating deficit in the General Fund due to increases in salaries and benefit costs.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2018*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2019
General Fund	\$ 158,167,049	\$ 520,510,060	\$ 527,706,671	\$ (5,217,272)	\$ 145,753,166
Adult Education Fund	299,231	2,268,400	2,104,975	-	462,656
Child Development Fund	1,377,526	9,792,792	9,663,413	-	1,506,905
Cafeteria Fund	9,924,685	26,197,047	26,269,684	306,718	10,158,766
Deferred Maintenance Fund	9,157	1,283	10,440	-	-
Special Reserve Fund (Other Than Capital Outlay)	12,074,836	237,037	-	-	12,311,873
Capital Facilities Fund	20,618,523	6,258,502	527,285	-	26,349,740
County School Facilities Fund	2,661,703	52,251	-	-	2,713,954
Special Reserve Fund (Capital Outlay)	28,094,146	697,531	6,713,574	4,910,554	26,988,657
Capital Outlay Fund for Blended Component Units	28,483,999	6,443,398	2,544,748	-	32,382,649
Bond Interest and Redemption Fund	17,400,794	17,235,467	14,404,264	-	20,231,997
	<u>\$ 279,111,649</u>	<u>\$ 589,693,768</u>	<u>\$ 589,945,054</u>	<u>\$ -</u>	<u>\$ 278,860,363</u>

*As restated

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 \$20.3 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$21.4 million due to negotiated increases in salaries and benefits.
- Other non-personnel expenses – increased \$2.2 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$4.1 million, the actual results for the year show that expenditures exceeded revenues by roughly \$7.2 million. Actual revenues were \$9.7 million more than anticipated, but expenditures were \$21.0 million more than budgeted. These amounts were primarily due to the revenue and expenditure amounts related to STRS and PERS on-behalf contributions.

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had invested \$19.1 million in new capital assets, related to construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$22.3 million.

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

	Governmental Activities		Variance
	2019	2018	Increase (Decrease)
Land	\$ 59,340,012	\$ 59,340,012	\$ -
Improvement of sites	28,977,110	26,584,800	2,392,310
Buildings	414,139,662	427,939,099	(13,799,437)
Equipment	20,746,980	16,915,280	3,831,700
Construction in progress	15,079,888	11,306,974	3,772,914
Total	<u>\$ 538,283,652</u>	<u>\$ 542,086,165</u>	<u>\$ (3,802,513)</u>

Long-Term Debt

At year-end the District had \$386.5 million in long-term debt other than pensions- a decrease of 0.8% from last year - as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance
	2019	2018	Increase (Decrease)
General obligation bonds	\$ 224,674,141	\$ 232,479,950	\$ (7,805,809)
Certificates of participation	28,434,944	29,970,113	(1,535,169)
QZABs	762,728	1,127,385	(364,657)
Capital leases	477,013	655,893	(178,880)
Compensated absences	2,379,672	2,330,610	49,062
Other postemployment benefits	129,817,615	122,909,410	6,908,205
Total	<u>\$ 386,546,113</u>	<u>\$ 389,473,361</u>	<u>\$ (2,927,248)</u>

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes \$5.9 Billion in Additional Unfunded Liability Payments

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates \$5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***\$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses \$2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes \$1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***\$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes \$1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and \$660 million General Fund to address the school districts' CalPERS unfunded liability.

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations

Under the spending plan, Proposition 98 funding for 2019-20 increases \$2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—\$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) \$493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) \$153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years

The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides \$606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides \$244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

All of these factors were considered in preparing the Fontana Unified School District budget for the 2019-20 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, 2019

	Total Governmental Activities
ASSETS	
Cash	\$ 293,129,445
Investments	30,839,961
Accounts receivable	24,466,760
Inventories	93,266
Prepaid expenses	812,021
Capital assets:	
Non-depreciable assets	74,419,900
Depreciable assets	819,123,474
Less accumulated depreciation	<u>(355,259,722)</u>
Total assets	<u>887,625,105</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	5,974,193
Deferred outflows from OPEB	12,913,308
Deferred outflows from pensions	<u>142,354,222</u>
Total deferred outflows of resources	<u>161,241,723</u>
 LIABILITIES	
Accounts payable	64,053,359
Unearned revenue	2,102,770
Long-term liabilities other than pensions:	
Portion due or payable within one year	13,274,415
Portion due or payable after one year	373,271,698
Net pension liability	<u>468,258,631</u>
Total liabilities	<u>920,960,873</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	5,734,196
Deferred inflows from pensions	<u>17,792,015</u>
Total deferred inflows of resources	<u>23,526,211</u>
 NET POSITION	
Net investment in capital assets	346,903,169
Restricted for:	
Capital projects	56,052,351
Debt service	20,231,997
Educational programs	26,741,350
Self-Insurance	6,720,572
Unrestricted	<u>(352,269,695)</u>
Total net position	<u>\$ 104,379,744</u>

FONTANA UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instructional Services:					
Instruction	\$ 315,374,857	\$ 933,932	\$ 50,956,044	\$ 52,251	\$ (263,432,630)
Instruction-Related Services:					
Supervision of instruction	41,075,510	492,199	15,113,570	-	(25,469,741)
Instructional library, media and technology	5,902,908	437	(870,862)	-	(6,773,333)
School site administration	31,450,906	432,063	581,945	-	(30,436,898)
Pupil Support Services:					
Home-to-school transportation	4,657,137	-	63,008	-	(4,594,129)
Food services	26,383,620	859,712	23,623,638	-	(1,900,270)
All other pupil services	29,027,272	33,487	4,731,950	-	(24,261,835)
General Administration Services:					
Data processing services	12,666,649	-	192,016	-	(12,474,633)
Other general administration	12,337,006	113,984	3,588,120	-	(8,634,902)
Plant services	58,662,807	412,178	1,409,433	-	(56,841,196)
Ancillary services	168,501	905	244	-	(167,352)
Community services	20,577	44	52	-	(20,481)
Enterprise activities	110,521	-	14,557	-	(95,964)
Interest on long-term debt	8,085,837	-	-	-	(8,085,837)
Other outgo	13,544,174	5,459,068	3,732,875	-	(4,352,231)
Depreciation (unallocated)	22,302,791	-	-	-	(22,302,791)
Total Governmental Activities	\$ 581,771,073	\$ 8,738,009	\$ 103,136,590	\$ 52,251	(469,844,223)

General Revenues:

Property taxes	65,533,787
Federal and state aid not restricted to specific purpose	371,947,281
Interest and investment earnings	2,802,555
Interagency revenues	45,000
Miscellaneous	11,957,441
Total general revenues	452,286,064
Change in net position	(17,558,159)
Net position - July 1, 2018, as originally stated	124,518,564
Adjustments for restatements (Note 12)	(2,580,661)
Net position - July 1, 2018, as restated	121,937,903
Net position - June 30, 2019	\$ 104,379,744

FONTANA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 197,240,770	\$ 8,715,513	\$ 78,159,800	\$ 284,116,083
Investments	-	-	30,839,961	30,839,961
Accounts receivable	17,105,657	5,326,104	1,978,696	24,410,457
Due from other funds	5,799,669	35,683	5,183,827	11,019,179
Inventories	-	93,266	-	93,266
Prepaid expenditures	812,021	-	-	812,021
Total Assets	<u>\$ 220,958,117</u>	<u>\$ 14,170,566</u>	<u>\$ 116,162,284</u>	<u>\$ 351,290,967</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 52,481,728	\$ 656,366	\$ 2,698,185	\$ 55,836,279
Due to other funds	8,730,602	3,355,434	2,405,519	14,491,555
Unearned revenue	1,680,748	-	422,022	2,102,770
Total Liabilities	<u>62,893,078</u>	<u>4,011,800</u>	<u>5,525,726</u>	<u>72,430,604</u>
Fund Balances				
Nonspendable	912,020	100,622	-	1,012,642
Restricted	14,755,934	10,058,144	110,493,647	135,307,725
Assigned	24,855,564	-	142,911	24,998,475
Unassigned	117,541,521	-	-	117,541,521
Total Fund Balances	<u>158,065,039</u>	<u>10,158,766</u>	<u>110,636,558</u>	<u>278,860,363</u>
Total Liabilities and Fund Balances	<u>\$ 220,958,117</u>	<u>\$ 14,170,566</u>	<u>\$ 116,162,284</u>	<u>\$ 351,290,967</u>

FONTANA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position *June 30, 2019*

Total fund balances - governmental funds \$ 278,860,363

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 and accumulated depreciation.

Capital assets at historical cost:	893,543,374	
Accumulated depreciation:	<u>(355,259,722)</u>	
Net:		538,283,652

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:

5,974,193

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:

(2,395,611)

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	224,674,141	
Certificates of participation payable	28,434,944	
QZAB bonds payable	762,728	
Capital lease payable	477,013	
Compensated absences	2,379,672	
Other postemployment benefits payable	<u>129,817,615</u>	
Total		(386,546,113)

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.

(468,258,631)

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	155,267,530	
Deferred inflows of resources	<u>(23,526,211)</u>	
Net:		131,741,319

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:

6,720,572

Total net position - governmental activities \$ 104,379,744

FONTANA UNIFIED SCHOOL DISTRICT**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**
For the Fiscal Year Ended June 30, 2019

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 400,876,826	\$ -	\$ -	\$ 400,876,826
Federal sources	27,071,379	23,213,207	1,162,829	51,447,415
Other state sources	82,323,393	1,905,781	8,850,017	93,079,191
Other local sources	10,475,499	1,078,059	32,736,778	44,290,336
Total Revenues	520,747,097	26,197,047	42,749,624	589,693,768
EXPENDITURES				
Current:				
Instruction	330,258,791	-	8,281,723	338,540,514
Instruction-related services:				
Supervision of instruction	41,210,117	-	2,127,504	43,337,621
Instructional library, media and technology	4,651,843	-	-	4,651,843
School site administration	31,504,880	-	425,113	31,929,993
Pupil support services:				
Home-to-school transportation	4,416,993	-	-	4,416,993
Food services	653,960	24,485,879	23,638	25,163,477
All other pupil services	29,263,808	-	459,265	29,723,073
Ancillary services	168,501	-	-	168,501
Community services	20,582	-	-	20,582
Enterprise activities	24,518	-	-	24,518
General administration services:				
Data processing services	12,126,738	-	-	12,126,738
Other general administration	11,866,418	-	-	11,866,418
Plant services	54,029,970	18,374	2,006,903	56,055,247
Transfers of indirect costs	(1,345,086)	943,138	401,948	-
Intergovernmental	63,288	-	-	63,288
Capital outlay	8,612,470	822,293	5,156,818	14,591,581
Debt service:				
Principal	178,880	-	11,199,537	11,378,417
Interest	-	-	5,886,250	5,886,250
Total Expenditures	527,706,671	26,269,684	35,968,699	589,945,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,959,574)	(72,637)	6,780,925	(251,286)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	306,718	5,183,548	5,490,266
Interfund transfers out	(5,217,272)	-	(272,994)	(5,490,266)
Total Other Financing Sources and Uses	(5,217,272)	306,718	4,910,554	-
Net Change in Fund Balances	(12,176,846)	234,081	11,691,479	(251,286)
Fund Balances, July 1, 2018	170,241,885	9,924,685	101,525,740	281,692,310
Adjustment for Restatement (Note 12)	-	-	(2,580,661)	(2,580,661)
Fund Balances, July 1, 2018	170,241,885	9,924,685	98,945,079	279,111,649
Fund Balances, June 30, 2019	\$ 158,065,039	\$ 10,158,766	\$ 110,636,558	\$ 278,860,363

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, 2019

Total net change in fund balances - governmental funds \$ (251,286)

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 and depreciation expense for the period was:

Expenditures for capital outlay	19,071,138	
Depreciation expense	(22,302,791)	
Net:		(3,231,653)

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:

(570,860)

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:

11,378,417

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. Deferred amounts on refunding amortized during the year were:

(491,455)

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:

1,484,853

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. Accreted interest earned less accreted interest paid during the year was:

(2,978,755)

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:

(393,110)

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:

(49,062)

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:

(23,497,588)

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:

50,375

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:

991,965

Change in net position of governmental activities \$ (17,558,159)

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2019

	Governmental Activities Internal Service Fund
ASSETS	
Cash	\$ 9,013,362
Accounts receivable	56,303
Due from other funds	<u>3,512,538</u>
 Total assets	 <u>12,582,203</u>
 LIABILITIES	
Estimated liability for open claims and IBNRs	5,717,599
Accounts payable	103,870
Due to other funds	<u>40,162</u>
 Total liabilities	 <u>5,861,631</u>
 NET POSITION	
Restricted	<u><u>\$ 6,720,572</u></u>

FONTANA UNIFIED SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2019**

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	\$ 3,512,538
Other local revenues	<u>26,917</u>
Total operating revenues	<u>3,539,455</u>
OPERATING EXPENSES	
Payments for personnel costs	326,424
Payments for materials and supplies	6,324
Payments for claims and other operating expenses	<u>2,388,555</u>
Total operating expenses	<u>2,721,303</u>
OPERATING INCOME (LOSS)	818,152
NON-OPERATING REVENUES	
Interest income	<u>173,813</u>
Change in net position	991,965
Net position, July 1, 2018	<u>5,728,607</u>
Net position, June 30, 2019	<u><u>\$ 6,720,572</u></u>

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2019

	Governmental Activities Internal Service Fund
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Received from in-district premiums	\$ 3,298,101
Payments to employees and fringe benefits	(323,874)
Payments to vendors and suppliers	(126,810)
Payments on insurance claims	(2,012,943)
Other receipts (payments)	37,098
Net cash provided (used) by operating activities	<u>871,572</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Investment income	<u>152,102</u>
Net increase (decrease) in cash and cash equivalents	1,023,674
Cash and cash equivalents, July 1, 2018	<u>7,989,688</u>
Cash and cash equivalents, June 30, 2019	<u><u>\$ 9,013,362</u></u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	<u>\$ 818,152</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Receivables, net	10,181
Due from other funds	(214,437)
Estimated liability for open claims and IBNRs	375,612
Accounts payable and accrued liabilities	(120,486)
Due to other funds	<u>2,550</u>
Net cash provided (used) by operating activities	<u><u>\$ 871,572</u></u>

FONTANA UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2019*

	Agency Funds	Trust Funds		Total
	Student Body Funds	Retiree Benefits Fund	Pension Trust Fund	
ASSETS				
Cash	\$ 1,406,142	\$ 7,323,041	\$ -	\$ 8,729,183
Scholarship funds	190,949	-	-	190,949
Investments	-	45,188,162	14,602,276	59,790,438
Accounts receivable	851	36	-	887
Inventories - supplies and materials	87,315	-	-	87,315
Miscellaneous	10,544	-	-	10,544
Total assets	<u>\$ 1,695,801</u>	<u>52,511,239</u>	<u>14,602,276</u>	<u>68,809,316</u>
LIABILITIES				
Accounts payable	\$ 28,731	112,725	-	141,456
Due to student groups	1,667,070	-	-	1,667,070
Total liabilities	<u>\$ 1,695,801</u>	<u>112,725</u>	<u>-</u>	<u>1,808,526</u>
NET POSITION				
Restricted for postemployment benefits		<u>\$ 52,398,514</u>	<u>\$ 14,602,276</u>	<u>\$ 67,000,790</u>

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2019

	Trust Funds		
	Retiree Benefits Fund	Pension Trust Fund	Totals
ADDITIONS			
Interest	\$ 1,942,477	\$ 1,121,390	\$ 3,063,867
Increase in fair value of investments	368,923	-	368,923
In-district contributions	7,195,919	13,500,000	20,695,919
Total Additions	9,507,319	14,621,390	24,128,709
DEDUCTIONS			
Operating expenses	241,613	19,114	260,727
Change in net position	9,265,706	14,602,276	23,867,982
Net position - July 1, 2018	43,132,808	-	43,132,808
Net position - June 30, 2019	<u>\$ 52,398,514</u>	<u>\$ 14,602,276</u>	<u>\$ 67,000,790</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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 Fontana Unified School 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 government-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

Government-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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Government-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).

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, 2019

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):

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.

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

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).

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.

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, 2019

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 agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency 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:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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 government-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.

The agency fund has no measurement focus and utilizes the accrual basis of accounting for reporting its assets and liabilities.

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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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

D. Encumbrances

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

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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Unearned Revenue (continued)

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

The liability for compensated absences reported in the government-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. 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.

8. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. 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.

10. 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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Net Position (continued)

- **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.

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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Use of Estimates

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

I. New GASB Pronouncements

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

2. (continued)

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

J. Future Accounting Pronouncements

Other GASB pronouncements, which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

3. (continued)

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. (continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019, are reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$ 283,640,666	\$ 8,863,362	\$ 292,504,028	\$ 14,397
Deposits:				
Cash on hand and in banks	181,842	-	181,842	1,597,091
Cash in revolving fund	293,575	150,000	443,575	-
Cash with Fiscal Agent	-	-	-	7,308,644
Total Deposits	475,417	150,000	625,417	8,905,735
Total Cash	\$ 284,116,083	\$ 9,013,362	\$ 293,129,445	\$ 8,920,132
Investments:				
US Bank Money Market	\$ 30,839,961	\$ -	\$ 30,839,961	
Benefit Trust Company:				
Fixed Income				\$ 24,005,998
Domestic Equities				15,715,004
International Equities				3,364,057
Real Estate				2,103,103
Public Agency Retirement System:				
Vanguard Conservative Fund				14,602,276
Total Investments				\$ 59,790,438

Investment security ratings reported as of June 30, 2019, are defined by Morningstar or Standard and Poors.

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

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, 2019, \$1,684,538 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.

Maturities of investments held at June 30, 2019, consisted of the following:

	Fair Value	Maturity		Fair Value Measurement
		Less Than One Year	One Year Through Five Years	
Investment maturities:				
US Bank Money Market	\$ 30,839,961	\$ 30,839,961	\$ -	Level 2
Benefit Trust Company:				
Fixed Income	24,005,998	24,005,998	-	Level 2
Domestic Equities	15,715,004	15,715,004	-	Level 2
International Equities	3,364,057	3,364,057	-	Level 2
Real Estate	2,103,103	2,103,103	-	Level 2
Public Agency Retirement System:				
Vanguard Conservative Fund	14,602,276	14,602,276	-	Level 2
Total	\$ 90,630,399	\$ 90,630,399	\$ -	

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, 2019, 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.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2019, the District had the following investment that represented more than five percent of the District's net investments:

US Bank Money Market	34.0%
Benefit Trust Company:	
Fixed Income	26.5%
Domestic Equities	17.3%
Public Agency Retirement System:	
Vanguard Conservative Fund	16.1%

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.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, 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	\$ 9,098,157	\$ 5,100,263	\$ 468,791	\$ 14,667,211	\$ -	\$ -
State Government:						
Lottery	1,786,412	-	-	1,786,412	-	-
Special education	614,073	-	-	614,073	-	-
Categorical aid programs	4,321,994	129,200	453,116	4,904,310	-	-
Local:						
Interest	1,043,657	23,041	329,271	1,395,969	54,728	36
Other local resources	241,364	73,600	727,518	1,042,482	1,575	-
Total	\$ 17,105,657	\$ 5,326,104	\$ 1,978,696	\$ 24,410,457	\$ 56,303	\$ 36

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2019, consisted of the following:

	Due From Other Funds				
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
General Fund	\$ -	\$ 34,516	\$ 5,183,548	\$ 5,218,064	\$ 3,512,538
Cafeteria Fund	3,355,434	-	-	3,355,434	-
Non-Major Governmental Funds	2,404,073	1,167	279	2,405,519	-
Self-Insurance Fund	40,162	-	-	40,162	-
Total	\$ 5,799,669	\$ 35,683	\$ 5,183,827	\$ 11,019,179	\$ 3,512,538

General Fund to Cafeteria fund for for LCFF, PARS, catering, and bad debt	\$ 34,516
General Fund to Special Reserve Fund for Capital Outlay Projects Fund for redevelopment	5,183,548
General Fund to Self-Insurance Fund for district premiums and contributions	3,512,538
Adult Education Fund to General Fund for printing, indirect costs, postage, miscellaneous costs, and a temporary loan	785,137
Child Development Fund to Cafeteria Fund for catering	1,167
Child Development Fund to General Fund for printing, indirect costs, and suspense account transfer	1,443,434
Cafeteria Fund to General Fund for fuel, indirect costs, and suspense account transfer	3,355,434
Deferred Maintenance Fund to Special Reserve Fund for Capital Outlay Projects Fund for expense reallocation	279
Capital Facilities Fund to General Fund for indirect costs	175,502
Self-Insurance Fund to General Fund for June workers' compensation	40,162
Total	\$ 14,531,717

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2019, consisted of the following:

Interfund Transfers

General Fund to Cafeteria Fund for bad debt allowance	\$ 33,724
General Fund to Special Reserve Fund for Capital Outlay Projects for a transfer of RDA funds	5,183,548
Special Reserve for Capital Outlay Projects to Cafeteria Fund for kitchen remodel projects	272,994
Total	<u>\$ 5,490,266</u>

NOTE 5 – FUND BALANCES

At June 30, 2019, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 100,000	\$ 7,356	\$ -	\$ 107,356
Inventories	-	93,266	-	93,266
Prepaid expenditures	812,020	-	-	812,020
Total Nonspendable	<u>912,020</u>	<u>100,622</u>	<u>-</u>	<u>1,012,642</u>
Restricted:				
Categorical programs	14,755,934	-	-	14,755,934
Adult education program	-	-	462,656	462,656
Child development program	-	-	1,363,994	1,363,994
Food service program	-	10,058,144	-	10,058,144
Capital projects	-	-	88,435,000	88,435,000
Debt service	-	-	20,231,997	20,231,997
Total Restricted	<u>14,755,934</u>	<u>10,058,144</u>	<u>110,493,647</u>	<u>135,307,725</u>
Assigned:				
School site and donation carryover	1,210,825	-	-	1,210,825
Supplemental and concentration carryover	458,872	-	-	458,872
College and career carryover	666,437	-	-	666,437
Mandate discretionary carryover	10,207,557	-	-	10,207,557
Child development program	-	-	142,911	142,911
Other assignments	12,311,873	-	-	12,311,873
Total Assigned	<u>24,855,564</u>	<u>-</u>	<u>142,911</u>	<u>24,998,475</u>
Unassigned:				
Reserve for economic uncertainties	21,316,958	-	-	21,316,958
Remaining unassigned balances	96,224,563	-	-	96,224,563
Total Unassigned	<u>117,541,521</u>	<u>-</u>	<u>-</u>	<u>117,541,521</u>
Total	<u>\$ 158,065,039</u>	<u>\$ 10,158,766</u>	<u>\$ 110,636,558</u>	<u>\$ 278,860,363</u>

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions	Retirements	Balance, June 30, 2019
Capital assets not being depreciated:				
Land	\$ 59,340,012	\$ -	\$ -	\$ 59,340,012
Construction in progress	11,306,974	3,782,277	9,363	15,079,888
Total capital assets not being depreciated	70,646,986	3,782,277	9,363	74,419,900
Capital assets being depreciated:				
Improvement of sites	70,186,076	4,683,857	-	74,869,933
Buildings	667,873,102	1,420,296	-	669,293,398
Equipment	66,572,999	9,194,071	806,927	74,960,143
Total capital assets being depreciated	804,632,177	15,298,224	806,927	819,123,474
Accumulated depreciation for:				
Improvement of sites	(43,601,276)	(2,291,547)	-	(45,892,823)
Buildings	(239,934,003)	(15,219,733)	-	(255,153,736)
Equipment	(49,657,719)	(4,791,511)	(236,067)	(54,213,163)
Total accumulated depreciation	(333,192,998)	(22,302,791)	(236,067)	(355,259,722)
Total capital assets being depreciated, net	471,439,179	(7,004,567)	570,860	463,863,752
Governmental activity capital assets, net	\$ 542,086,165	\$ (3,222,290)	\$ 580,223	\$ 538,283,652

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 189,557,259	\$ -	\$ 9,616,910	\$ 179,940,349	\$ 9,815,000
Accreted interest component	27,489,909	5,148,875	2,053,090	30,585,694	-
Unamortized issuance premium	15,432,782	-	1,284,684	14,148,098	1,284,685
Total - Bonds	232,479,950	5,148,875	12,954,684	224,674,141	11,099,685
Certificates of Participation:					
Principal repayments	26,370,000	-	1,335,000	25,035,000	1,420,000
Unamortized issuance premium	3,600,113	-	200,169	3,399,944	200,168
Total - Certificates of Participation	29,970,113	-	1,535,169	28,434,944	1,620,168
Qualified Zone Academy Bond					
Scheduled deposits	742,883	-	247,627	495,256	247,628
Accumulated interest	384,502	-	117,030	267,472	128,054
Total - Qualified Zone Academy Bond	1,127,385	-	364,657	762,728	375,682
Capital leases	655,893	-	178,880	477,013	178,880
Compensated Absences	2,330,610	49,062	-	2,379,672	-
Other Postemployment Benefits	122,909,410	29,875,964	22,967,759	129,817,615	-
Totals	\$ 389,473,361	\$ 35,073,901	\$ 38,001,149	\$ 386,546,113	\$ 13,274,415

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. QZAB payments are made by the Special Reserve Fund for Capital Outlay Projects. Capital 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.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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

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, 2019, there are three bond issuances outstanding from this authorization: the Series A, Series B, and Series C 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.

Prior Years' Refunding Bonds

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, 2019, the principal balance outstanding on the previously defeased debt was \$50,975,000.

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, 2019 of \$4,545,930 remain to be amortized.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
Refunding Bonds								
1997R	6/18/1997	7/1/2018	4.40%-5.95%	\$ 18,670,227	\$ 546,910	\$ -	\$ 546,910	\$ -
2009R	2/11/2009	5/1/2022	3.0% - 5.25%	18,110,000	7,265,000	-	1,625,000	5,640,000
2012R	10/25/2012	8/1/2031	2.0%-5.0%	78,115,000	67,690,000	-	3,180,000	64,510,000
2014R	5/22/2014	8/1/2031	2.25%-5.0%	12,975,000	6,425,000	-	1,825,000	4,600,000
2016R	6/1/2016	8/1/2029	2.0%-5.0%	49,910,000	48,525,000	-	390,000	48,135,000
Subtotal Refunding Bonds					130,451,910	-	7,566,910	122,885,000
Measure C (2006)								
2006B	3/11/2008	8/1/2033	3.0% - 5.25%	70,585,909	11,845,909	-	2,050,000	9,795,909
2006C	10/25/2012	8/1/2044	5.0%-5.75%	47,259,440	47,259,440	-	-	47,259,440
Subtotal Measure C					59,105,349	-	2,050,000	57,055,349
Total					\$ 189,557,259	\$ -	\$ 9,616,910	\$ 179,940,349
Accreted Interest								
	Series				Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
	1997R				\$ 1,890,422	\$ 162,668	\$ 2,053,090	\$ -
	2006B				9,824,416	1,442,036	-	11,266,452
	2006C				15,775,071	3,544,171	-	19,319,242
					\$ 27,489,909	\$ 5,148,875	\$ 2,053,090	\$ 30,585,694

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 7 - LONG-TERM DEBT OTHER THAN PENSIONS (continued)**A. General Obligation Bonds (continued)**

The annual requirements to amortize general obligation bonds outstanding at June 30, 2019, are as follows:

Fiscal Year	Principal	Interest	Total
2019-20	\$ 9,815,000	\$ 4,876,906	\$ 14,691,906
2020-21	8,925,000	4,459,756	13,384,756
2021-22	9,915,000	4,050,106	13,965,106
2022-23	8,830,000	3,580,106	12,410,106
2023-24	9,835,000	3,168,369	13,003,369
2024-29	67,425,000	7,800,625	75,225,625
2029-34	24,537,413	53,803,821	78,341,234
2034-39	21,275,229	56,424,771	77,700,000
2039-44	18,061,427	72,938,573	91,000,000
2044-45	1,321,280	6,678,720	8,000,000
Total	<u>\$ 179,940,349</u>	<u>\$ 217,781,753</u>	<u>\$ 397,722,103</u>

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.

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, 2019 of \$1,428,263 remain to be amortized for this refunding. As of June 30, 2019, the principal balance outstanding on the defeased debt has been paid in full.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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

B. Certificates of Participation (continued)

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2019-20	\$ 1,420,000	\$ 1,030,450	\$ 2,450,450
2020-21	1,505,000	957,325	2,462,325
2021-22	1,595,000	879,825	2,474,825
2022-23	1,650,000	798,700	2,448,700
2023-24	1,720,000	714,450	2,434,450
2024-29	9,175,000	2,353,975	11,528,975
2029-34	5,850,000	816,450	6,666,450
2034-36	2,120,000	60,300	2,180,300
Total	\$ 25,035,000	\$ 7,611,475	\$ 32,646,475

C. Qualified Zone Academy Bond

On April 1, 2005, the District entered into a site lease agreement with the California School Boards Association Finance Corporation. The purpose of the agreement is to provide financing for the cost of purchasing equipment and certain improvements to property. The financing for the improvements is provided by the issuance of Qualified Zone Academy Bonds (QZABs), pursuant to Section 1397E of the Internal Revenue Code.

Lease payments will be required as follows:

Fiscal Year	Scheduled Deposit	Accumulated Interest	Total
2019-20	\$ 247,628	\$ 128,054	\$ 375,682
2020-21	247,628	139,418	387,046
Total	\$ 495,256	\$ 267,472	\$ 762,728

D. Capital Leases

The District agreed to a capital lease of 29 vehicles on February 1, 2017, for a value of \$894,400 from Enterprise Fleet Management. Remaining lease payments will be required as follows:

Fiscal Year	Total
2019-20	\$ 178,880
2020-21	178,880
2021-22	119,253
	\$ 477,013

The District will receive no sublease revenues nor pay any contingent rentals for the equipment.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**E. Other Postemployment Benefits (OPEB) Liability**

For the fiscal year ended June 30, 2019, 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	\$ 127,660,968	\$ 12,913,308	\$ 5,734,196	\$ 13,932,320
MPP Program	2,156,647	-	-	(202,497)
Total	<u>\$ 129,817,615</u>	<u>\$ 12,913,308</u>	<u>\$ 5,734,196</u>	<u>\$ 13,729,823</u>

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 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.

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.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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

E. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	660
Active employees	3,736
Total	4,396

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.

Net OPEB Liability

The District's net OPEB liability is reported as of June 30, 2019 for the employer fiscal year and reporting period of July 1, 2018 to June 30, 2019. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2019 and are based on a valuation as of that date.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

E. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Salary increases	2.75% per year
Inflation rate	2.75% per year
Investment rate of return	5.8% per year, net of expenses
Healthcare cost trend rates	4% per year

Mortality Rates

Following are the tables on which the mortality assumptions are based.

2009 CalSTRS Mortality

The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

2014 CalPERS Retired and Active Mortality for Safety and Miscellaneous Employees

The mortality assumptions are based on the 2014 CalPERS Retiree and Active Mortality for Safety and Miscellaneous Employees tables created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Following are the tables on which the retirement and turnover assumptions are based.

2009 CalSTRS Retirement Rates

The retirement assumptions are based on the 2009 CalSTRS Retirement Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

2009 CalPERS 3% @ 55 Rates for Sworn Police

2009 CalPERS Retirement Rates for School Employees

2009 CalPERS 2% @ 60 Rates for Miscellaneous Employees

The retirement assumptions are based on the 2009 CalPERS Retirement Rates tables created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

E. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

2009 CalSTRS Termination Rates

The turnover assumptions are based on the 2009 CalSTRS Termination Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

2009 CalPERS Termination Rates for Sworn Police and School Employees

The turnover assumptions are based on the 2009 CalPERS Termination Rates for Sworn Police and School Employees tables created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

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:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
All Fixed Income	55%	4.50%
Real Estate Investment Trusts	4%	7.50%
All Domestic Equities	22%	7.50%
All International Equities	19%	7.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.8 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.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019***NOTE 7 - LONG-TERM DEBT OTHER THAN PENSIONS (continued)****E. Other Postemployment Benefits (OPEB) Liability (continued)****District Plan (continued)****Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total	Plan Fiduciary	Net
	OPEB Liability	Net Position	OPEB Liability
Balance at July 1, 2018	\$ 163,683,074	\$ 43,132,808	\$ 120,550,266
Changes for the year:			
Service cost	6,199,168	-	6,199,168
Interest	9,482,869	-	9,482,869
Investment income	-	2,748,704	(2,748,704)
Benefit payments	(6,569,848)	(6,569,848)	-
Changes in assumptions	13,515,010	-	13,515,010
Experience gains/losses	(6,250,791)	-	(6,250,791)
Contributions - employer	-	13,765,767	(13,765,767)
Investment gains/losses	-	(437,303)	437,303
Administrative expense	-	(241,614)	241,614
Net changes	16,376,408	9,265,706	7,110,702
Balance at June 30, 2019	\$ 180,059,482	\$ 52,398,514	\$ 127,660,968

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total 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	Net OPEB Liability
1% decrease (4.8%)	\$ 158,160,664
Current discount rate (5.8%)	\$ 127,660,968
1% increase (6.8%)	\$ 104,379,457

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total 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	Net OPEB Liability
1% decrease (3.00%)	\$ 104,660,246
Current rate (4.00%)	\$ 127,660,968
1% increase (5.00%)	\$ 156,829,875

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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

E. Other Postemployment Benefits (OPEB) Liability (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, 2019, the District recognized OPEB expense of \$13,932,320. In addition, at June 30, 2019, 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	\$ -	\$ 5,734,196
Changes of assumptions	12,398,067	-
Differences between projected and actual return investments	515,241	-
Total	<u>\$ 12,913,308</u>	<u>\$ 5,734,196</u>

The deferred inflows of resources related to the differences between expected and actual experience and the deferred outflows of resources related to changes of assumptions in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 12.1 years. The deferred outflows of resources related to the differences between expected and actual returns on plan investments will be amortized over 5.0 years.

The amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 1,259,537	\$ (516,595)
2021	1,259,537	(516,595)
2022	1,259,537	(516,595)
2023	1,204,402	(516,595)
2024	1,116,943	(516,595)
Thereafter	6,813,352	(3,151,221)
Total	<u>\$ 12,913,308</u>	<u>\$ (5,734,196)</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

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

E. Other Postemployment Benefits (OPEB) Liability (continued)

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, 2017 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: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

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

As of June 30, 2018, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because 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 California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability

At June 30, 2019, the District reported a liability of \$2,156,647 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, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. 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.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

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

E. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability (continued)

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, 2019	Fiscal Year Ending June 30, 2018	
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net OPEB Liability	0.563433%	0.560756%	0.002677%

For the year ended June 30, 2019, the District reported OPEB expense of \$(202,497).

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2017 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, 2018
Valuation Date	June 30, 2017
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459, or an average of 0.27 percent of the potentially eligible population (171,593).

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**F. Other Postemployment Benefits (OPEB) Liability (continued)****Medicare Premium Payment (MPP) Program (continued)*****Actuarial assumptions and other inputs (continued)***

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, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the net OPEB liability, 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 (2.87%)	\$ 2,385,355
Current discount rate (3.87%)	\$ 2,156,647
1% increase (4.87%)	\$ 1,950,132

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

The following presents the District's proportionate share of the net OPEB liability, 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 (2.7% Part A and 3.1% Part B)	\$ 1,966,641
Current rate (3.7% Part A and 4.1% Part B)	\$ 2,156,647
1% increase (4.7% Part A and 5.1% Part B)	\$ 2,360,987

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – 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, 2019, 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	\$ 329,296,551	\$ 103,103,372	\$ 17,463,212	\$ 48,544,227
CalPERS (Schools)	137,050,265	38,560,680	-	27,797,820
CalPERS (Safety)	1,911,815	690,170	328,803	349,597
Total	<u>\$ 468,258,631</u>	<u>\$ 142,354,222</u>	<u>\$ 17,792,015</u>	<u>\$ 76,691,644</u>

The details of each plan are as follows:

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

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

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 8 – PENSION PLANS (continued)**A. California State Teachers' Retirement System (CalSTRS)****Benefits Provided (continued)**

The STRP provisions and benefits in effect at June 30, 2019, 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	16.28%	16.28%
Required State Contribution Rate	9.828%	9.828%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period.

The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were \$33,110,685.

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

At June 30, 2019, 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:

District's proportionate share of net pension liability	\$ 329,296,551
State's proportionate share of the net pension liability associated with the District	<u>188,537,676</u>
Total	<u>\$ 517,834,227</u>

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2018. 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, 2019	Fiscal Year Ending June 30, 2018	
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.358293%	0.352324%	0.005969%

For the year ended June 30, 2019, the District recognized pension expense of \$48,544,227. In addition, the District recognized pension expense and revenue of \$6,429,096 for support provided by the State. At June 30, 2019, 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	\$ 33,110,685	\$ -
Net change in proportionate share of net pension liability	17,814,445	-
Difference between projected and actual earnings on pension plan investments	-	12,679,997
Changes of assumptions	51,157,106	-
Differences between expected and actual experience	1,021,136	4,783,215
Total	\$ 103,103,372	\$ 17,463,212

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 (EARSLS) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the measurement period is 7 years.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 8 – PENSION PLANS (continued)**A. California State Teachers' Retirement System (CalSTRS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Amounts other than contributions subsequent to the measurement date 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/(Inflows) of Resources
2020	\$ 16,356,562
2021	11,602,011
2022	2,949,229
2023	11,483,774
2024	10,001,333
Thereafter	136,566
Total	<u>\$ 52,529,475</u>

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, 2017, and rolling forward the total pension liability to June 30, 2018. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

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 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant (Pension Consulting Alliance-PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

For each future valuation, CalSTRS' consulting actuary 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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	(1.00)%

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

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%)	\$ 482,380,913
Current discount rate (7.10%)	329,296,551
1% increase (8.10%)	202,374,760

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 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of \$2,246,000,000. 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 \$30,058,355.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) School Pool

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a school pool (referred to as "risk pool"), which is comprised of individual employer rate plans, including those of the District.

Benefits Provided

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 with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRAs 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 Basic Death Benefit is paid to any member's beneficiary 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 Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Schools Risk Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.50%
Required Employer Contribution Rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District's contributions to the School Pool Plan for the year ended June 30, 2019, were \$13,363,799.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$137,050,265. The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The District's proportionate share of the net pension liability as of June 30, 2017, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2017. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2018, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2018, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2018, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2018, to obtain the total pension liability and fiduciary net position as of June 30, 2018. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

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, 2019	Fiscal Year Ending June 30, 2018	
Measurement Date	June 30, 2018	June 30, 2017	
Proportion of the Net Pension Liability	0.514006%	0.516980%	-0.002974%

For the year ended June 30, 2019, the District recognized pension expense of \$27,797,820. At June 30, 2019, 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	\$ 13,363,799	\$ -
Net change in proportionate share of net pension liability	1,404,383	-
Difference between projected and actual earnings on pension plan investments	1,124,120	-
Changes of assumptions	13,683,864	-
Differences between expected and actual experience	8,984,514	-
Total	<u>\$ 38,560,680</u>	<u>\$ -</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. 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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 4 years.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 14,211,488
2021	11,762,333
2022	173,143
2023	(950,083)
2024	-
Thereafter	-
Total	<u>\$ 25,196,881</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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	2.75%

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Discount Rate (continued)

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

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

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 (6.15%)	\$ 199,538,632
Current discount rate (7.15%)	137,050,265
1% increase (8.15%)	85,207,219

On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. 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 \$4,646,617.

C. California Public Employees Retirement System (CalPERS) Safety Pool

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at www.calpers.ca.gov.

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Fontana Unified School District. The Fontana Unified School District does not have any rate plans in the miscellaneous risk pool. The Fontana Unified School District's employer rate plans in the safety risk pool include the Safety School Police plan (School Police) and the PEPRA Safety School Police plan (PEPRA School Police).

Benefits Provided

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.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 8 – PENSION PLANS (continued)**C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)****Benefits Provided (continued)**

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Safety Risk Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	3% at 50	2.7% at 57
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	50	57
Monthly Benefits as a Percentage of Eligible Compensation	3.0%	2.0%-2.7%
Required Employee Contribution Rate	8.989%	12.75%
Required Employer Contribution Rate	22.346%	12.965%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The District's contributions to the Safety Pool Plan for the year ended June 30, 2019, were \$290,473.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$1,911,815. The District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSION PLANS (continued)

C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)

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

The District's proportionate share of the net pension liability as of June 30, 2017, the valuation date, was calculated as follows:

In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2017. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Fontana Unified School District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The District's proportionate share of the net pension liability as of June 30, 2018, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2018, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2018, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2018, was calculated by applying the District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2018, to obtain the total pension liability and fiduciary net position as of June 30, 2018. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.

The District's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2017, and June 30, 2018, was as follows:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	
Proportion of the Net Pension Liability	0.032583%	0.031602%	0.000981%

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 8 – PENSION PLANS (continued)

C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$349,597. At June 30, 2019, 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	\$ 290,473	\$ -
Net change in proportionate share of net pension liability	94,055	-
Difference between projected and actual earnings on pension plan investments	-	201,359
Changes of assumptions	213,356	30,214
Differences between expected and actual experience	48,310	-
Differences between actual and required contributions	43,976	97,230
Total	<u>\$ 690,170</u>	<u>\$ 328,803</u>

Amounts other than contributions subsequent to the measurement date reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 65,695
2021	48,891
2022	(26,955)
2023	(16,737)
2024	-
Thereafter	-
Total	<u>\$ 70,894</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	2.75%

NOTE 8 – PENSION PLANS (continued)

C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short- term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long- term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 8 – PENSION PLANS (continued)**C. California Public Employees Retirement System (CalPERS) Safety Pool (continued)****Discount Rate (continued)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	(0.92%)

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

The following presents the Fontana Unified School District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Fontana Unified School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 3,094,470
Current discount rate (7.15%)	1,911,815
1% increase (8.15%)	942,841

D. 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.

E. Payables to the Pension Plans

At June 30, 2019, the District reported payables of \$2,884,441 and \$62,652 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2019.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 9 – 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), 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. Audited information is available directly from the JPA's.

NOTE 10 – 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, 2019, the District had commitments with respect to unfinished capital projects of approximately \$6.2 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, 2019.

NOTE 11 – 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, 2019, 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 2018-19, 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).

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 11 – RISK MANAGEMENT (continued)**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, 2017 to June 30, 2019:

	Workers' Compensation
Liability Balance, July 1, 2017	\$ 5,585,244
Claims and changes in estimates	1,590,432
Claims payments	<u>(1,833,689)</u>
Liability Balance, June 30, 2018	5,341,987
Claims and changes in estimates	2,388,556
Claims payments	<u>(2,012,944)</u>
Liability Balance, June 30, 2019	<u>\$ 5,717,599</u>
Assets available to pay claims at June 30, 2019	<u>\$ 12,582,203</u>

NOTE 12 – ADJUSTMENTS FOR RESTATEMENTS

Beginning net position on the Statement of Activities has been restated by \$(2,580,661) to reflect adjustments made by the San Bernardino County Superintendent of Schools Office to the Bond Interest and Redemption Fund for the prior year's bond redemptions. The adjustment also increased revenue by \$19,339 and expenditures by \$2,600,000.

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Required Supplementary Information

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FONTANA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	\$ 396,781,782	\$ 400,755,247	\$ 400,876,826	\$ 121,579
Federal sources	25,734,312	34,537,255	27,071,379	(7,465,876)
Other state sources	66,177,726	65,699,218	82,323,393	16,624,175
Other local sources	1,863,730	9,831,994	10,238,462	406,468
Total Revenues	490,557,550	510,823,714	520,510,060	9,686,346
Expenditures				
Current:				
Certificated salaries	197,538,921	210,950,332	211,009,824	(59,492)
Classified salaries	61,535,070	66,542,012	69,967,065	(3,425,053)
Employee benefits	137,335,997	140,303,368	169,693,855	(29,390,487)
Books and supplies	35,955,504	27,102,273	22,816,958	4,285,315
Services and other operating expenditures	47,315,075	51,984,510	46,709,417	5,275,093
Transfers of indirect costs	(1,412,821)	(1,321,278)	(1,345,086)	23,808
Capital outlay	4,758,657	11,060,834	8,612,470	2,448,364
Intergovernmental	155,018	104,000	63,288	40,712
Debt service	-	-	178,880	(178,880)
Total Expenditures	483,181,421	506,726,051	527,706,671	(20,980,620)
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,376,129	4,097,663	(7,196,611)	(11,294,274)
Other Financing Sources and Uses				
Interfund transfers out	(13,500,000)	(18,684,136)	(5,217,272)	13,466,864
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,123,871)	(14,586,473)	(12,413,883)	2,172,590
Fund Balances, July 1, 2018	140,256,336	158,167,049	158,167,049	-
Fund Balances, June 30, 2019	<u>\$ 134,132,465</u>	<u>\$ 143,580,576</u>	145,753,166	<u>\$ 2,172,590</u>
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Postemployment Benefits			<u>12,311,873</u>	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			<u>\$ 158,065,039</u>	

FONTANA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal sources	\$ 22,459,546	\$ 23,035,285	\$ 23,213,207	\$ 177,922
Other state sources	1,346,365	1,392,847	1,905,781	512,934
Other local sources	970,666	1,008,797	1,078,059	69,262
Total Revenues	24,776,577	25,436,929	26,197,047	760,118
Expenditures				
Current:				
Classified salaries	8,633,347	8,390,209	8,423,713	(33,504)
Employee benefits	4,728,234	4,428,404	4,883,296	(454,892)
Books and supplies	9,581,554	10,576,375	10,847,628	(271,253)
Services and other operating expenditures	432,500	398,986	349,616	49,370
Transfers of indirect costs	988,789	915,902	943,138	(27,236)
Capital Outlay	427,153	932,609	822,293	110,316
Total Expenditures	24,791,577	25,642,485	26,269,684	(627,199)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(15,000)	(205,556)	(72,637)	132,919
Other Financing Sources and Uses				
Interfund Transfers In	-	273,582	306,718	33,136
Net Change in Fund Balance	(15,000)	68,026	234,081	166,055
Fund Balances, July 1, 2018	9,919,148	9,924,685	9,924,685	-
Fund Balances, June 30, 2019	\$ 9,904,148	\$ 9,992,711	\$ 10,158,766	\$ 166,055

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability For the Fiscal Year Ended June 30, 2019

	Last Ten Fiscal Years*				
	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS					
District's proportion of the net pension liability	0.3583%	0.3523%	0.3630%	0.3620%	0.3150%
District's proportionate share of the net pension liability	\$ 329,296,551	\$ 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	188,537,676	192,757,821	167,164,729	128,896,902	111,154,484
Totals	\$ 517,834,228	\$ 518,587,052	\$ 460,762,759	\$ 372,609,782	\$ 295,231,034
District's covered-employee payroll	\$ 187,426,292	\$ 193,276,161	\$ 183,389,842	\$ 165,939,764	\$ 156,232,242
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.69%	168.58%	160.10%	146.87%	117.82%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%	70%	74%	77%
CalPERS (School Pool)					
District's proportion of the net pension liability	0.5140%	0.5170%	0.5041%	0.4889%	0.5236%
District's proportionate share of the net pension liability	\$ 137,050,265	\$ 123,416,822	\$ 99,560,062	\$ 72,064,343	\$ 59,441,349
District's covered-employee payroll	\$ 72,743,474	\$ 67,707,661	\$ 64,938,111	\$ 57,764,480	\$ 53,355,454
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.40%	182.28%	153.32%	124.76%	111.41%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%
CalPERS (Safety Pool)					
District's proportion of the net pension liability	0.0198%	0.0190%	0.0183%	0.0182%	0.0175%
District's proportionate share of the net pension liability	\$ 1,911,815	\$ 1,888,265	\$ 1,580,126	\$ 1,248,648	\$ 1,088,252
District's covered-employee payroll	\$ 1,382,692	\$ 1,325,140	\$ 1,194,621	\$ 973,214	Unknown
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	138.27%	142.50%	132.27%	128.30%	Unknown
Plan fiduciary net position as a percentage of the total pension liability	77.71%	75.90%	74.88%	79.78%	Unknown

* 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
For the Fiscal Year Ended June 30, 2019

	<i>Last Ten Fiscal Years*</i>				
	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
CalSTRS					
Contractually required contribution	\$ 33,110,685	\$ 27,045,614	\$ 24,314,141	\$ 19,677,730	\$ 14,735,451
Contributions in relation to the contractually required contribution	<u>33,110,685</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 203,382,584</u>	<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>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS (School Pool)					
Contractually required contribution	\$ 13,654,272	\$ 11,297,789	\$ 9,403,240	\$ 7,693,218	\$ 6,799,457
Contributions in relation to the contractually required contribution	<u>13,654,272</u>	<u>11,297,789</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>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 75,596,678</u>	<u>\$ 72,743,474</u>	<u>\$ 67,707,661</u>	<u>\$ 64,938,111</u>	<u>\$ 57,764,480</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>
CalPERS (Safety Pool)					
Contractually required contribution	\$ 290,473	\$ 340,944	Unknown	Unknown	Unknown
Contributions in relation to the contractually required contribution	<u>290,473</u>	<u>340,944</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
District's covered-employee payroll	<u>\$ 1,450,780</u>	<u>\$ 1,382,692</u>	<u>\$ 1,325,140</u>	<u>\$ 1,194,621</u>	<u>\$ 973,214</u>
Contributions as a percentage of covered-employee payroll	<u>20.02%</u>	<u>24.66%</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</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, 2019*

Last 10 Fiscal Years*

	2019	2018
Total OPEB liability		
Service cost	\$ 6,199,168	\$ 6,033,254
Interest	9,482,869	8,992,926
Changes in assumptions	13,515,010	-
Experience gains/losses	(6,250,791)	-
Benefit payments	(6,569,848)	(6,753,855)
Net change in total OPEB liability	16,376,408	8,272,325
Total OPEB liability - beginning	163,683,074	155,410,749
Total OPEB liability - ending	\$ 180,059,482	\$ 163,683,074
Plan fiduciary net position		
Contributions - employer	\$ 13,765,767	\$ 14,992,254
Net investment income	2,748,704	1,871,706
Benefit payments	(6,569,848)	(6,753,855)
Investment gains/losses	(437,303)	-
Administrative expense	(241,614)	(193,342)
Net change in plan fiduciary net position	9,265,706	9,916,763
Plan fiduciary net position - beginning	43,132,808	33,216,045
Plan fiduciary net position - ending	\$ 52,398,514	\$ 43,132,808
District's net OPEB liability - ending	\$ 127,660,968	\$ 120,550,266
Plan fiduciary net position as a percentage of the total OPEB liability	29.10%	26.35%
Covered-employee payroll	\$ 243,390,381	\$ 236,876,283
Net OPEB liability as a percentage of covered-employee payroll	52.45%	50.89%

Notes to Schedule:

The implicit subsidy assumption was increased from 20.2% to 46.8%.

** 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, 2019***

	2018	2017
District's proportion of net OPEB liability	0.5634%	0.5608%
District's proportionate share of net OPEB liability	\$ 2,156,647	\$ 2,359,144
Covered-employee payroll	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	0.40%	0.01%

Notes to Schedule:

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.

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, 2019

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 both CalSTRS and CalPERS.

Change of assumptions - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

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 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 also deferred based on the average working life.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

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.

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

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

Supplementary Information

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FONTANA UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2019

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
Jason O'Brien	President	2020
Mars Serna	Vice President	2022
Peter Garcia	Member	2020
Adam Perez	Member	2022
Mary Sandoval	Member	2022

DISTRICT ADMINISTRATORS

Randal S. Bassett,
Superintendent

Joseph Bremgartner,
Associate Superintendent, Human Resources

Miki Inbody,
Associate Superintendent, Teaching & Learning

Ryan DiGiulio,
Associate Superintendent, Business Services

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019

	Second Period Report	Annual Report
	Certificate No. B0192888	Certificate No. 99CD8ADE
Regular ADA & Extended Year:		
TK/Grades K-3	10,242.53	10,250.13
Grades 4-6	7,959.16	7,956.69
Grades 7-8	5,548.79	5,539.03
Grades 9-12	11,155.88	11,091.27
Total Regular ADA	34,906.36	34,837.12
Special Education-Nonpublic, Nonsectarian Schools:		
TK/Grades K-3	1.48	2.52
Grades 4-6	6.53	7.11
Grades 7-8	3.39	3.65
Grades 9-12	25.86	27.32
Total Special Education-Nonpublic, Nonsectarian Schools	37.26	40.60
Total ADA	34,943.62	34,877.72

FONTANA UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2019*

Grade Level	Required	2018-19 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,000	180	Complied
Grade 1	50,400	53,340	180	Complied
Grade 2	50,400	53,340	180	Complied
Grade 3	50,400	53,340	180	Complied
Grade 4	54,000	54,710	180	Complied
Grade 5	54,000	54,710	180	Complied
Grade 6	54,000	54,840	180	Complied
Grade 7	54,000	61,878	180	Complied
Grade 8	54,000	61,878	180	Complied
Grade 9	64,800	65,471	180	Complied
Grade 10	64,800	65,471	180	Complied
Grade 11	64,800	65,471	180	Complied
Grade 12	64,800	65,471	180	Complied

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

General Fund	(Budget) 2020 ²	2019	2018	2017
Revenues and other financing sources	\$ 488,748,134	\$ 520,510,060	\$ 476,257,722	\$ 470,486,644
Expenditures	500,976,991	527,706,671	451,437,869	443,741,541
Other uses and transfers out	-	5,217,272	3,233,906	7,544,319
Total outgo	500,976,991	532,923,943	454,671,775	451,285,860
Change in fund balance (deficit)	(12,228,857)	(12,413,883)	21,585,947	19,200,784
Ending fund balance	\$ 133,524,309	\$ 145,753,166	\$ 158,167,049	\$ 136,581,102
Available reserves ¹	\$ 104,358,617	\$ 96,224,563	\$ 97,208,172	\$ 112,072,912
Available reserves as a percentage of total outgo	20.8%	18.1%	21.4%	24.8%
Total long-term debt	\$ 846,823,551	\$ 854,804,744	\$ 840,607,679	\$ 796,480,511
Average daily attendance at P-2	33,993	34,944	35,692	36,491

The General Fund balance has increased overall over the past two years by \$9,172,064. The fiscal year 2019-20 adopted budget projects a decrease of \$12,228,857. 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 deficit in only one of the past three years, but anticipates incurring an operating deficit during the 2019-20 fiscal year. Long-term debt has increased by \$58,324,233 over the past two years.

Average daily attendance has decreased by 1,547 over the past two years. A decrease of 951 ADA is anticipated during fiscal year 2019-20.

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

² Revised Final Budget September, 2019.

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, 2019*

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

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA 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	\$ 3,782,100	
National School Lunch Program	10.555	13523	14,650,794	
Summer Food Service Program	10.559	13004	590,974	
USDA Donated Foods	10.555	N/A	1,729,642	
Total Child Nutrition Cluster				\$ 20,753,510
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	2,298,062	
Child and Adult Care Food Program Cash in Lieu	10.558	13393	161,635	
Total Child and Adult Care Food Program Cluster				2,459,697
Total U.S. Department of Agriculture				23,213,207
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	223,300	
Adult Basic Education & ESL	84.002A	14508	251,718	
English Literacy & Civics Education	84.002A	14109	153,349	
Total Adult Education Cluster				628,367
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		14,711,915
Title II, Part A, Supporting Effective Instruction	84.367	14344		1,561,193
Title III Cluster				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	1,206,323	
Title III, Immigrant Education Program	84.365	15146	60,692	
Subtotal English Language Acquisition Grants Cluster				1,267,015
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		65,419
Carl Perkins Act - Secondary	84.048	14894		335,204
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	6,671,950	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	4,265	
Preschool Grants, Part B, Sec 619	84.173	13430	164,866	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	411,978	
Preschool Staff Development	84.173A	13431	1,355	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	16,880	
Total Special Education Cluster				7,271,294
Early Intervention Grants, Part C	84.181	23761		129,885
Workability II, Transition	84.158	10006		185,639
Total U.S. Department of Education				26,155,931
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Federal Child Care, Center-Based	93.596	13609		127,471
Medicaid Cluster:				
Medi-Cal Billing Option	93.778	10013	609,892	
Medi-Cal Administrative Activities (MAA)	93.778	10060	178,308	
Total Medicaid Cluster				788,200
Direct Federal to Local Program:				
Head Start Cluster:				
Head Start	93.600	N/A	108,890	
Early Head Start	93.600	N/A	298,101	
Total Head Start Cluster				406,991
Total U.S. Department of Health & Human Services				1,322,662
Total Expenditures of Federal Awards				\$ 50,691,800

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

FONTANA UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2019

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

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time 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 Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 51,447,415
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	(256,487)
Medi-Cal Administrative Activities	93.778	(499,128)
Total Schedule of Expenditures of Federal Awards		<u>\$ 50,691,800</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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Fontana Unified School District's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

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

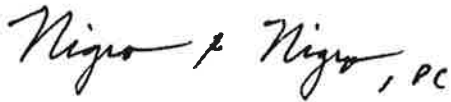
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fontana Unified School 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 determination of financial statement amounts. 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 black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
December 13, 2019



**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

We have audited Fontana Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Fontana Unified School District's major federal programs for the year ended June 30, 2019. Fontana Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Fontana Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fontana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Fontana Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2019.

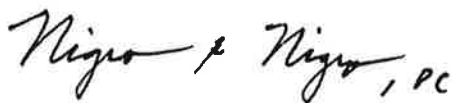
Report on Internal Control Over Compliance

Management of Fontana Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fontana Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Murrieta, California
December 13, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Fontana Unified School District
Fontana, California

Report on State Compliance

We have audited Fontana Unified School District's compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Fontana Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Fontana Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Fontana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Fontana Unified School District's compliance.

In connection with the audit referred to above, we selected and tested 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	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

Description	Procedures Performed
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
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
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

We did not perform testing for independent study because the ADA was under the level that requires testing.

Unmodified Opinion on Compliance with State Programs

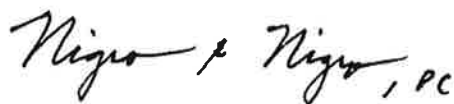
In our opinion, Fontana Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which are described in the accompanying schedule of findings and questioned costs as Finding 2019-001. Our opinion on each state program is not modified with respect to this matter.

District's Response to Finding

Fontana Unified School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Fontana Unified School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



Murrieta, California
December 13, 2019

Findings and Questioned Costs

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FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555,	
10.559	<u>Child Nutrition Cluster</u>
84.367	<u>Title II, Part A, Supporting Effective Instruction</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,520,754</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

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 2018-19.

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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 2018-19.

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2019-001: CALPADS Unduplicated Pupil Count (40000)

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the students who receive Free and Reduced-Price Meals (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted 5 students who were classified as free or reduced but did not have an application or income eligibility form on file to support the designation prior to October 31.

Context: We noted 5 exceptions which were found at 3 out of 10 schools selected for testing. We extrapolated these errors across the applicable unduplicated population for each of the sites where exceptions were noted. See calculation below:

	<u>Unduplicated students tested</u>	<u>Audit exceptions</u>	<u>Error rate</u>	<u>Unduplicated population</u>	<u>Extrapolated exceptions</u>
Citrus Elementary	14	3	21%	316	68
Almeria Middle	18	1	6%	414	23
Juniper Elementary	9	1	11%	182	20
					<u>111</u>

Cause: The District continued to process income eligibility forms received after the October 31 cutoff and included these students in the Fall 1 certified CALPADS unduplicated count. Five students did not meet the income eligibility requirements for free and reduced-price meals at the time of Census Day.

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2019-001: CALPADS Unduplicated Pupil Count (40000) (continued)

Effect: The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

Program/Site:	Adjusted based on		Adjusted Total
	CALPADS	eligibility for: FRPM	
Citrus Elementary	716	(68)	648
Almeria Middle	699	(23)	676
Juniper Elementary	500	(20)	480
Aggregate remaining sites	29,883	-	29,883
District-wide	31,798	(111)	31,687

Total enrollment of 36,335 was not adjusted based on the results of our procedures.

The questioned cost of this finding is \$187,647. This amount was calculated using the CDE audit penalty calculator, based on an extrapolation of the audit exception rate.

Recommendation: We recommend that the District implement a procedure to review the CALPADS information prior to the report's submission to the California Department of Education.

Views of Responsible Officials: In years prior to the 2018-19 fiscal year, the CDE granted extensions on the deadline to collect household income forms used for LCFF purposes. These extensions allowed districts to continue collecting household income data after the October 31st deadline to identify students that would qualify for Free and Reduced-Price Meals (FRPM) under the National School Lunch Program. In 2018-19, districts were not given clear guidance to ascertain that the CDE would no longer continue this practice of extending the deadline.

Fontana Unified School District has developed a strict Household Income Collection Policy that has been adhered to beginning in the 2019-20 fiscal year. The Household Income Collection Policy has multiple layers of accountability to ensure that the CDE deadline is met each year.

FONTANA UNIFIED SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

There were no findings or questioned costs in 2017-18.



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, 2019, 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 13, 2019, on the financial statements of Fontana Unified School District.

The following observations and recommendations are not audit findings.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our testing of cash disbursements, we noted disbursements at various sites were not approved by the District Representative, the ASB advisor, and/or the student representative until after the expenditure had already been incurred. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds.

Recommendation: As a "best practice", approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines.

Observation: In our testing of cash receipts, we noted several deposits at various sites lacked sufficient supporting documentation. Without original supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB accounts. 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 event from which they were generated and to ensure that all proceeds from an event are turned in and properly reconciled to sales.

Recommendation: We recommend that before any events are held, control procedures, such as ticket logs, tally sheets, prenumbered cash receipts, or cash register receipts, should be established that will allow for the reconciliation between cash collected and event sales.

Observation: During our testing of cash disbursements at **Fontana High** and **Sequoia Middle**, we noted purchases that were sent to personal addresses rather than to the school sites.

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.

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Observation: During our testing at *Kaiser High* we noted that that bank reconciliations were not performed in a timely manner.

Recommendation: We recommend that the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives.

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.

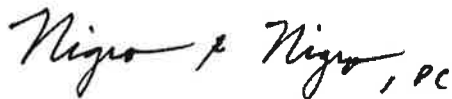
Observation: During our testing of District cash receipts, we identified collections that were not deposited in a timely manner. Deposits were made more than two weeks after cash was collected.

Recommendation: We recommend the District implement policies to ensure that receipts of cash or checks be deposited in a timely manner in order to reduce the opportunity for misplacement or theft. A timely manner is recommended to be two weeks or less from the time of the receipt.

Observation: During our inquiry of Cafeteria internal controls, we discovered that when cash is counted for elementary sites there is only one person present.

Recommendation: We recommend that the District have two people present when counting cash to prevent counting errors and protect those that handle the cash from suspicion if there are shortages.

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



Murrieta, California
December 13, 2019