

**FONTANA UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2024**

**NIGRO
& NIGRO^{PC}**

FONTANA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2024

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FONTANA UNIFIED SCHOOL DISTRICT

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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Fontana Unified School District
Fontana, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District, as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Information

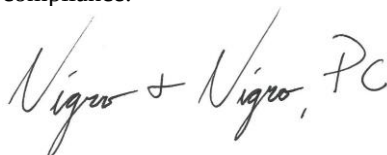
Management is responsible for the other information included in the annual report. The other information comprises the LEA Organization Structure but does not include the basic financial statements and our auditor's report thereon.

Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Murrieta, California
November 19, 2024

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FONTANA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

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, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$62.4 million, or 18.9%.
- Governmental expenses were about \$688.6 million. Revenues were about \$751.0 million.
- The District acquired over \$37.1 million in new capital assets during the year.
- Governmental funds increased by \$38.0 million, or 6.5%.

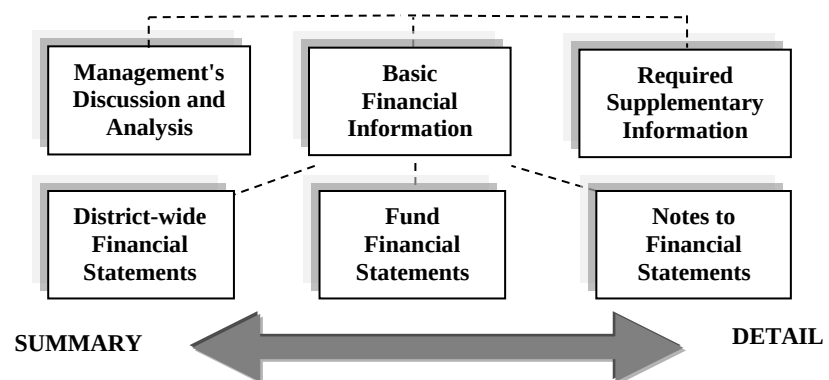
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2024, than it was the year before – increasing 18.9% to \$392.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
Assets			
Current assets	\$ 758,943,336	\$ 703,259,536	\$ 55,683,800
Capital assets	527,802,489	515,277,829	12,524,660
Total assets	1,286,745,825	1,218,537,365	68,208,460
Total deferred outflows of resources	207,776,049	198,959,470	8,816,579
Liabilities			
Current liabilities	121,787,092	106,365,417	15,421,675
Long-term liabilities	890,234,309	858,961,125	31,273,184
Total liabilities	1,012,021,401	965,326,542	46,694,859
Total deferred inflows of resources	90,093,702	122,137,696	(32,043,994)
Net position			
Net investment in capital assets	353,160,928	339,144,626	14,016,302
Restricted	319,389,598	305,244,097	14,145,501
Unrestricted	(280,143,755)	(314,356,126)	34,212,371
Total net position	\$ 392,406,771	\$ 330,032,597	\$ 62,374,174

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues decreased 4.0% to \$751.0 million (See Table A-2). The decrease is due primarily to decreased state grants.

The total cost of all programs and services increased 8.5% to \$688.6 million. The District's expenses are predominantly related to educating and caring for students, 79.5%. The purely administrative activities of the District accounted for just 4.1% of total costs. A significant contributor to the increase in costs was increase in capital outlay expenses for new school sites.

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 13,576,936	\$ 9,646,574	\$ 3,930,362
Operating grants and contributions	168,389,041	247,429,278	(79,040,237)
Capital grants and contributions	149,087	850,915	(701,828)
General Revenues:			
Property taxes	95,657,649	84,646,974	11,010,675
Federal and state aid not restricted	437,768,997	425,262,324	12,506,673
Other general revenues	35,430,896	14,705,498	20,725,398
Total Revenues	750,972,606	782,541,563	(31,568,957)
Expenses			
Instruction-related	471,416,422	439,754,235	31,662,187
Pupil services	75,914,730	71,111,517	4,803,213
Administration	28,522,967	23,110,211	5,412,756
Plant services	73,323,609	62,590,180	10,733,429
All other activities	39,420,704	37,795,801	1,624,903
Total Expenses	688,598,432	634,361,944	54,236,488
Increase (decrease) in net position	\$ 62,374,174	\$ 148,179,619	\$ (85,805,445)
Total net position	\$ 392,406,771	\$ 330,032,597	\$ 62,374,174

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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 \$619.0 million, which is above last year's ending fund balance of \$581.0 million. The primary cause of the increased fund balance is a surplus in the General Fund.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2023	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2024
General Fund	\$ 323,310,659	\$ 669,966,071	\$ 652,405,399	\$ (131)	\$ 340,871,200
Student Activity Fund	2,151,062	4,322,869	4,049,137	-	2,424,794
Adult Education Fund	912,333	3,686,581	3,359,718	-	1,239,196
Child Development Fund	2,298,521	14,049,178	10,434,506	-	5,913,193
Cafeteria Fund	30,169,752	35,127,391	27,793,637	131	37,503,637
Special Reserve Fund (Other Than Capital Outlay)	12,816,845	674,965	-	-	13,491,810
Building Fund	54,989,669	2,970,915	14,417,764	-	43,542,820
Capital Facilities Fund	58,263,419	13,387,414	6,144,115	-	65,506,718
County School Facilities Fund	2,832,420	149,087	235	-	2,981,272
Special Reserve Fund (Capital Outlay)	28,589,345	11,932,669	5,313,659	-	35,208,355
Capital Projects Fund for Blended Component Units	49,899,592	8,470,520	2,451,178	-	55,918,934
Bond Interest and Redemption Fund	14,778,611	11,722,710	12,085,237	-	14,416,084
	<u>\$ 581,012,228</u>	<u>\$ 776,460,370</u>	<u>\$ 738,454,585</u>	<u>\$ -</u>	<u>\$ 619,018,013</u>

General Fund Budgetary Highlights

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

- Revenues – decreased by \$27.0 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$1.6 million to reflect revised cost estimates.
- Other non-personnel expenses – decreased \$22.9 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$10.7 million, the actual results for the year show that revenues exceeded expenditures by roughly \$17.6 million. Actual revenues were \$9.9 million more than anticipated, and expenditures were \$3.1 million more than budgeted.

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023-24 the District had acquired \$37.1 million in new capital assets, related to land, 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 was \$23.0 million and amortization was \$1.1 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2024	2023	
Land	\$ 59,340,012	\$ 59,340,012	\$ -
Improvement of sites	30,035,219	28,837,117	1,198,102
Buildings	363,929,606	368,656,187	(4,726,581)
Equipment	27,900,730	23,161,502	4,739,228
Construction in progress	46,492,950	34,072,887	12,420,063
Lease assets	103,972	311,917	(207,945)
Subscription assets	-	898,207	(898,207)
Total	<u>\$ 527,802,489</u>	<u>\$ 515,277,829</u>	<u>\$ 12,524,660</u>

Long-Term Debt

At year-end the District had \$890.2 million in long-term liabilities – an increase of 3.6% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2024	2023	
General obligation bonds	\$ 282,819,920	\$ 286,797,718	\$ (3,977,798)
Certificates of participation	19,544,103	21,464,272	(1,920,169)
Subscription-based IT arrangements	-	646,207	(646,207)
Leases	104,283	312,540	(208,257)
Compensated absences	4,265,064	3,541,330	723,734
Claims liability	8,982,852	7,785,398	1,197,454
Other postemployment benefits	90,421,817	101,316,306	(10,894,489)
Net pension liability	484,096,270	437,097,354	46,998,916
Total	<u>\$ 890,234,309</u>	<u>\$ 858,961,125</u>	<u>\$ 31,273,184</u>

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

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

K-14 Education

Funds Modest COLA and a Few Smaller Augmentations

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

Implements Small Payment Deferral

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

Suspends Proposition 98 Requirement and Reduces Spending

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

Bond Funds

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

Scores Savings Related to Attendance and a Few Other Adjustments

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

All of these factors were considered in preparing the Fontana Unified School District budget for the 2024-25 fiscal year.

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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, 2024*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 714,076,897
Accounts receivable	42,402,220
Inventories	506,464
Prepaid expenses	1,957,755
Capital assets:	
Non-depreciable assets	105,832,962
Depreciable assets	883,894,679
Less accumulated depreciation	(462,029,124)
Lease assets	727,807
Less accumulated amortization	(623,835)
Total assets	<u>1,286,745,825</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	11,664,917
Deferred outflows from OPEB	12,461,263
Deferred outflows from pensions	<u>183,649,869</u>
Total deferred outflows of resources	<u>207,776,049</u>
LIABILITIES	
Accounts payable	107,312,300
Accrued interest payable	3,045,331
Unearned revenue	11,429,461
Noncurrent liabilities:	
Due or payable within one year	8,939,557
Due in more than one year:	
Other than OPEB and pensions	306,776,665
Net OPEB liability	90,421,817
Net pension liability	<u>484,096,270</u>
Total liabilities	<u>1,012,021,401</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	40,174,127
Deferred inflows from pensions	<u>49,919,575</u>
Total deferred inflows of resources	<u>90,093,702</u>
NET POSITION	
Net investment in capital assets	353,160,928
Restricted for:	
Capital projects	103,696,345
Debt service	14,416,084
Educational programs	186,651,665
Student activities	2,424,794
Self-insurance	12,200,710
Unrestricted	<u>(280,143,755)</u>
Total net position	<u>\$ 392,406,771</u>

FONTANA UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instructional Services:					
Instruction	\$ 392,952,430	\$ 1,474,579	\$ 88,375,085	\$ 149,087	\$ (302,953,679)
Instruction-Related Services:					
Supervision of instruction	38,078,126	908,695	13,405,122	-	(23,764,309)
Instructional library, media and technology	5,721,366	-	(168,211)	-	(5,889,577)
School site administration	34,664,500	556,001	(682,512)	-	(34,791,011)
Pupil Support Services:					
Home-to-school transportation	10,321,558	-	186,522	-	(10,135,036)
Food services	27,935,047	20,504	34,531,774	-	6,617,231
All other pupil services	37,658,125	455,569	6,816,737	-	(30,385,819)
General Administration Services:					
Data processing services	12,135,035	-	(17,050)	-	(12,152,085)
Other general administration	16,387,932	114,573	3,430,181	-	(12,843,178)
Plant services	73,323,609	550,783	1,033,488	-	(71,739,338)
Ancillary services	4,168,641	-	4,324,192	-	155,551
Community services	30,316	-	-	-	(30,316)
Enterprise activities	1,267,626	-	-	-	(1,267,626)
Interest on long-term debt	9,538,930	-	-	-	(9,538,930)
Other outgo	260,502	9,496,232	17,153,713	-	26,389,443
Depreciation (unallocated)	23,048,537	-	-	-	(23,048,537)
Amortization (unallocated)	1,106,152	-	-	-	(1,106,152)
Total Governmental Activities	<u>\$ 688,598,432</u>	<u>\$ 13,576,936</u>	<u>\$ 168,389,041</u>	<u>\$ 149,087</u>	<u>(506,483,368)</u>
General Revenues:					
					95,657,649
					437,768,997
					25,313,933
					246,958
					<u>9,870,005</u>
					<u>568,857,542</u>
					62,374,174
					<u>330,032,597</u>
					<u>\$ 392,406,771</u>

FONTANA UNIFIED SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2024*

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 430,653,198	\$ 33,307,249	\$ 232,687,530	\$ 696,647,977
Accounts receivable	30,973,150	7,386,808	3,460,000	41,819,958
Due from other funds	4,251,043	224,032	12,136	4,487,211
Inventories	300,342	56,901	149,221	506,464
Prepaid expenditures	1,957,755	-	-	1,957,755
Total Assets	<u>\$ 468,135,488</u>	<u>\$ 40,974,990</u>	<u>\$ 236,308,887</u>	<u>\$ 745,419,365</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 99,247,733	\$ 1,024,991	\$ 6,127,214	\$ 106,399,938
Due to other funds	4,188,386	2,446,362	1,937,205	8,571,953
Unearned revenue	10,336,359	-	1,093,102	11,429,461
Total Liabilities	<u>113,772,478</u>	<u>3,471,353</u>	<u>9,157,521</u>	<u>126,401,352</u>
Fund Balances				
Nonspendable	2,458,097	56,901	169,721	2,684,719
Restricted	142,928,138	36,880,614	226,615,268	406,424,020
Committed	177,589,875	-	-	177,589,875
Assigned	13,491,810	566,122	366,377	14,424,309
Unassigned	17,895,090	-	-	17,895,090
Total Fund Balances	<u>354,363,010</u>	<u>37,503,637</u>	<u>227,151,366</u>	<u>619,018,013</u>
Total Liabilities and Fund Balances	<u>\$ 468,135,488</u>	<u>\$ 40,974,990</u>	<u>\$ 236,308,887</u>	<u>\$ 745,419,365</u>

FONTANA UNIFIED SCHOOL DISTRICT

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

Total fund balances - governmental funds \$ 619,018,013

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

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

Capital assets at historical cost	989,727,641	
Accumulated depreciation	(462,029,124)	
Lease assets at historical cost	727,807	
Accumulated amortization	<u>(623,835)</u>	
Net:		527,802,489

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:

11,664,917

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

(3,045,331)

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	282,819,920	
Certificates of participation	19,544,103	
Lease liability	104,283	
Compensated absences	4,265,064	
Other postemployment benefits	90,421,817	
Net pension liability	<u>484,096,270</u>	
Total:		(881,251,457)

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	196,111,132	
Deferred inflows of resources	<u>(90,093,702)</u>	
Net:		106,017,430

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:

12,200,710

Total net position - governmental activities \$ 392,406,771

FONTANA UNIFIED SCHOOL DISTRICT

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

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 499,081,243	\$ -	\$ -	\$ 499,081,243
Federal sources	45,392,231	22,267,807	1,502,221	69,162,259
Other state sources	95,935,565	11,167,983	12,734,936	119,838,484
Other local sources	30,231,997	1,691,601	56,454,786	88,378,384
Total Revenues	670,641,036	35,127,391	70,691,943	776,460,370
EXPENDITURES				
Current:				
Instruction	410,038,346	-	9,062,088	419,100,434
Instruction-related services:				
Supervision of instruction	37,697,671	-	3,029,580	40,727,251
Instructional library, media and technology	5,094,491	-	-	5,094,491
School site administration	36,257,926	-	510,543	36,768,469
Pupil support services:				
Home-to-school transportation	10,258,000	-	-	10,258,000
Food services	650,161	27,004,382	49,519	27,704,062
All other pupil services	39,189,701	-	508,853	39,698,554
Ancillary services	119,503	-	4,049,137	4,168,640
Community services	30,397	-	-	30,397
Enterprise activities	23,758	-	-	23,758
General administration services:				
Data processing services	12,011,428	-	-	12,011,428
Other general administration	17,673,367	-	-	17,673,367
Plant services	63,811,009	1,432	1,486,596	65,299,037
Transfers of indirect costs	(913,516)	514,391	399,125	-
Intergovernmental	251,502	-	-	251,502
Capital outlay	19,356,792	273,432	24,636,668	44,266,892
Debt service:				
Principal	854,464	-	6,915,000	7,769,464
Interest	399	-	7,608,440	7,608,839
Total Expenditures	652,405,399	27,793,637	58,255,549	738,454,585
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,235,637	7,333,754	12,436,394	38,005,785
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	131	-	131
Interfund transfers out	(131)	-	-	(131)
Total Other Financing Sources and Uses	(131)	131	-	-
Net Change in Fund Balances	18,235,506	7,333,885	12,436,394	38,005,785
Fund Balances, July 1, 2023	336,127,504	30,169,752	214,714,972	581,012,228
Fund Balances, June 30, 2024	\$ 354,363,010	\$ 37,503,637	\$ 227,151,366	\$ 619,018,013

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, 2024

Total net change in fund balances - governmental funds \$ 38,005,785

Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital outlay	37,070,448	
Depreciation expense	(23,048,537)	
Amortization expense	<u>(1,106,152)</u>	
Net:		12,915,759

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:

(391,099)

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:

7,769,464

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

(1,046,126)

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

1,050,275

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

(2,067,308)

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:

123,670

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:

(723,734)

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:

(571,463)

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:

6,373,735

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:

935,216

Change in net position of governmental activities \$ 62,374,174

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2024

	Governmental Activities Internal Service Fund
ASSETS	
Deposits and investments	\$ 17,428,920
Accounts receivable	582,262
Due from other funds	4,158,586
Total assets	22,169,768
LIABILITIES	
Current liabilities:	
Accounts payable	912,362
Due to other funds	73,844
Long-term liabilities:	
Estimated liability for open claims and IBNR	8,982,852
Total liabilities	9,969,058
NET POSITION	
Restricted	\$ 12,200,710

FONTANA UNIFIED SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund**
For the Fiscal Year Ended June 30, 2024

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	\$ 4,162,219
Other local revenues	<u>228,549</u>
Total operating revenues	<u>4,390,768</u>
OPERATING EXPENSES	
Payments for personnel costs	497,552
Payments for claims and other operating expenses	<u>3,621,167</u>
Total operating expenses	<u>4,118,719</u>
OPERATING INCOME (LOSS)	272,049
NON-OPERATING REVENUES	
Interest income	<u>663,167</u>
Change in net position	935,216
Net position, July 1, 2023	<u>11,265,494</u>
Net position, June 30, 2024	<u><u>\$ 12,200,710</u></u>

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2024

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from in-district premiums	\$ 4,228,272
Payments to employees and fringe benefits	(736,778)
Payments to vendors and suppliers	658,949
Payments on insurance claims	(2,423,713)
Other receipts (payments)	(154,057)
Net cash provided (used) by operating activities	<u>1,572,673</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>613,124</u>
Net increase (decrease) in cash and cash equivalents	2,185,797
Cash and cash equivalents, July 1, 2023	<u>15,243,123</u>
Cash and cash equivalents, June 30, 2024	<u><u>\$ 17,428,920</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 272,049</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Due from other funds	66,053
Estimated liability for open claims and IBNR	1,197,454
Accounts payable and accrued liabilities	658,949
Due to other funds	<u>(239,226)</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,572,673</u></u>

FONTANA UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2024*

	Trust Funds		Total
	Retiree Benefits Fund	Pension Trust Fund	
ASSETS			
Deposits and investments	\$ 101,878,919	\$ 34,125,933	\$ 136,004,852
Accounts receivable	4,749,559	-	4,749,559
Total assets	106,628,478	34,125,933	140,754,411
LIABILITIES			
Accounts payable	-	-	-
NET POSITION			
Restricted for postemployment benefits	<u>\$ 106,628,478</u>	<u>\$ 34,125,933</u>	<u>\$ 140,754,411</u>

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2024

	Trust Funds		
	Retiree Benefits Fund	Pension Trust Fund	Totals
ADDITIONS			
Interest	\$ 3,521,991	\$ -	\$ 3,521,991
Increase in fair value of investments	7,276,971	3,361,705	10,638,676
In-district contributions	4,749,628	-	4,749,628
Total Additions	15,548,590	3,361,705	18,910,295
DEDUCTIONS			
Operating expenses	422,953	78,880	501,833
Total Deductions	422,953	78,880	501,833
Change in net position	15,125,637	3,282,825	18,408,462
Net position - July 1, 2023	91,502,841	30,843,108	122,345,949
Net position - June 30, 2024	<u>\$ 106,628,478</u>	<u>\$ 34,125,933</u>	<u>\$ 140,754,411</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

District-Wide Financial Statements (continued)

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

Fund Financial Statements

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

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

Major Governmental Funds

The District reports the following major governmental funds:

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

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

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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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

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

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

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

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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Proprietary Funds

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

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

Fiduciary Funds

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

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

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

2. Measurement Focus, Basis of Accounting

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

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting (continued)

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

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

3. Revenues - Exchange and Non-Exchange Transactions

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

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

C. Budgetary Data

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

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

3. Capital Assets

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

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

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

4. Unearned Revenue

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

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

5. Deferred Outflows/Inflows of Resources

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Deferred Outflows/Inflows of Resources (continued)

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

6. Compensated Absences

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

7. Leases

Lessee:

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

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

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

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

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

Lessor:

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Leases (continued)

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

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

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

8. Subscription-Based Information Technology Arrangements

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

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

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

9. Postemployment Benefits Other Than Pensions (OPEB)

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Net Position

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

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

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

F. Minimum Fund Balance Policy

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

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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

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

H. Use of Estimates

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

I. Change in Accounting Principle

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	\$ 696,647,977
Proprietary funds	<u>17,428,920</u>
Governmental Activities	714,076,897
Fiduciary funds	<u>136,004,852</u>
Total deposits and investments	<u><u>\$ 850,081,749</u></u>

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

Cash on hand and in banks	\$ 2,264,216
Cash in revolving fund	370,500
Investments	<u>847,447,033</u>
Total deposits and investments	<u><u>\$ 850,081,749</u></u>

Investment security ratings reported as of June 30, 2024, are defined by Morningstar or Standard and Poors.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Pooled Funds

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depositary 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, 2024, \$2,400,239 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Interest Rate Risk (continued)

Maturities of investments held at June 30, 2024, consisted of the following:

Investment maturities:	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
San Bernardino County Investment Pool	\$ 707,863,110	\$ 707,863,110	\$ -	uncategorized	N/A
US Bank Money Market	3,600,491	3,600,491	-	Level 2	N/A
Benefit Trust Company:					
Fixed Income	50,611,545	50,611,545	-	Level 2	N/A
Domestic Equities	38,059,822	38,059,822	-	Level 2	N/A
International Equities	8,075,593	8,075,593	-	Level 2	N/A
Real Estate	5,110,539	5,110,539	-	Level 2	N/A
Public Agency Retirement System:					
Vanguard Conservative Fund	16,979,349	16,979,349	-	Level 2	N/A
Vanguard Balanced Fund	17,146,584	17,146,584	-	Level 2	N/A
Total	<u>\$ 847,447,033</u>	<u>\$ 847,447,033</u>	<u>\$ -</u>		

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2024, all investments represented governmental securities, mutual funds, and other equities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2024, the District had the following investment that represented more than five percent of the District's net investments (excluding cash in county):

Benefit Trust Company:	
Fixed Income	36.3%
Domestic Equities	27.3%
Public Agency Retirement System:	
Vanguard Conservative Fund	12.2%
Vanguard Balanced Fund	12.3%

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements

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

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

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

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2024, 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	\$ 23,229,050	\$ 5,377,533	\$ 518,024	\$ 29,124,607	\$ -	\$ -
State Government:						
Lottery	2,019,551	-	-	2,019,551	-	-
Categorical aid programs	18,559	1,296,280	887,667	2,202,506	-	-
Local:						
Interest	3,890,573	316,604	1,893,523	6,100,700	179,331	64
Other local resources	1,815,417	396,391	160,786	2,372,594	402,931	4,749,495
Total	<u>\$ 30,973,150</u>	<u>\$ 7,386,808</u>	<u>\$ 3,460,000</u>	<u>\$ 41,819,958</u>	<u>\$ 582,262</u>	<u>\$ 4,749,559</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2024, consisted of the following:

	Due From Other Funds					Total
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	
General Fund	\$ -	\$ 223,997	\$ 12,135	\$ 236,132	\$ 3,952,254	\$ 4,188,386
Cafeteria Fund	2,336,179	-	1	2,336,180	110,182	2,446,362
Non-Major Governmental Funds	1,841,055	-	-	1,841,055	96,150	1,937,205
Self-Insurance Fund	73,809	35	-	73,844	-	73,844
Total	<u>\$ 4,251,043</u>	<u>\$ 224,032</u>	<u>\$ 12,136</u>	<u>\$ 4,487,211</u>	<u>\$ 4,158,586</u>	<u>\$ 8,645,797</u>

General Fund to Cafeteria Fund for catering charges, salary costs, and bad debt	\$ 223,997
General Fund to Self-Insurance Fund for district premiums and contributions	3,952,254
Adult Education Fund to General Fund for indirect costs, printing, and benefits	215,888
Adult Education Fund to Self-Insurance Fund for workers compensation	21,225
Child Development Fund to General Fund for printing, indirect costs, and suspense account transfer	1,315,713
Child Development Fund to Self-Insurance Fund for workers compensation	74,925
Cafeteria Fund to General Fund for fuel charges, indirect costs, and suspense account transfer	2,336,179
Cafeteria Fund due to Child Development Fund for early education invoice correction	1
Cafeteria Fund to Self-Insurance Fund for workers compensation	110,182
General due to Capital Facilities Fund for invoice reimbursement	12,135
Capital Facilities Fund due to General Fund for 3% of developer fees	309,454
Self-Insurance Fund to General Fund for workers compensation	73,809
Self-Insurance Fund to Cafeteria Fund for workers compensation	35
Total	<u>\$ 8,645,797</u>

B. Interfund Transfers

General Fund transfer to Cafeteria Fund for unpaid meal balance	<u>\$ 131</u>
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FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2024*

NOTE 5 – FUND BALANCES

At June 30, 2024, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 200,000	\$ -	\$ 20,500	\$ 220,500
Inventories	300,342	56,901	149,221	506,464
Prepaid expenditures	1,957,755	-	-	1,957,755
Total Nonspendable	2,458,097	56,901	169,721	2,684,719
Restricted:				
Categorical programs	142,928,138	-	-	142,928,138
Student activities	-	-	2,255,073	2,255,073
Adult education program	-	-	1,202,499	1,202,499
Child development program	-	-	5,583,513	5,583,513
Food service program	-	36,880,614	-	36,880,614
Capital projects	-	-	203,158,099	203,158,099
Debt service	-	-	14,416,084	14,416,084
Total Restricted	142,928,138	36,880,614	226,615,268	406,424,020
Committed:				
AB218 actuarial projections	225,000	-	-	225,000
Fontana new middle school	33,800,000	-	-	33,800,000
Acquisition & construction North K-8 School	90,000,000	-	-	90,000,000
Network and technology infrastructure	20,000,000	-	-	20,000,000
Reserve for loss of future funding & operational costs	33,564,875	-	-	33,564,875
Total Committed	177,589,875	-	-	177,589,875
Assigned:				
Other assignments	13,491,810	566,122	366,377	14,424,309
Total Assigned	13,491,810	566,122	366,377	14,424,309
Unassigned:				
Reserve for economic uncertainties	18,137,730	-	-	18,137,730
Remaining unassigned balances	(242,640)	-	-	(242,640)
Total Unassigned	17,895,090	-	-	17,895,090
Total	\$ 354,363,010	\$ 37,503,637	\$ 227,151,366	\$ 619,018,013

FONTANA UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2023	Additions	Retirements	Balance, June 30, 2024
Capital assets not being depreciated:				
Land	\$ 59,340,012	\$ -	\$ -	\$ 59,340,012
Construction in progress	34,072,887	24,416,349	11,996,286	46,492,950
Total capital assets not being depreciated	93,412,899	24,416,349	11,996,286	105,832,962
Capital assets being depreciated:				
Improvement of sites	87,205,101	4,842,551	-	92,047,652
Buildings	686,321,328	10,913,179	-	697,234,507
Equipment	86,563,338	8,894,655	845,473	94,612,520
Total capital assets being depreciated	860,089,767	24,650,385	845,473	883,894,679
Accumulated depreciation for:				
Improvement of sites	(58,367,984)	(3,644,449)	-	(62,012,433)
Buildings	(317,665,141)	(15,639,760)	-	(333,304,901)
Equipment	(63,401,836)	(3,764,328)	(454,374)	(66,711,790)
Total accumulated depreciation	(439,434,961)	(23,048,537)	(454,374)	(462,029,124)
Total capital assets being depreciated, net	420,654,806	1,601,848	391,099	421,865,555
Leased Assets				
Building leases	727,807	-	-	727,807
Accumulated amortization for:				
Building leases	(415,890)	(207,945)	-	(623,835)
Total leased assets, net	311,917	(207,945)	-	103,972
Subscription Assets				
IT subscriptions	1,796,415	-	1,796,415	-
Accumulated amortization for:				
IT subscriptions	(898,208)	(898,207)	(1,796,415)	-
Total subscription assets, net	898,207	(898,207)	-	-
Governmental activity capital assets, net	\$ 515,277,829	\$ 24,912,045	\$ 12,387,385	\$ 527,802,489

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

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

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 264,519,839	\$ -	\$ 5,195,000	\$ 259,324,839	\$ 5,990,000
Accreted interest component	14,528,483	2,067,308	-	16,595,791	-
Unamortized issuance premium	7,749,396	-	850,106	6,899,290	850,106
Total - Bonds	286,797,718	2,067,308	6,045,106	282,819,920	6,840,106
Certificates of Participation:					
Principal repayments	18,865,000	-	1,720,000	17,145,000	1,795,000
Unamortized issuance premium	2,599,272	-	200,169	2,399,103	200,168
Total - Certificates of Participation	21,464,272	-	1,920,169	19,544,103	1,995,168
Leases	312,540	-	208,257	104,283	104,283
Subscription-based IT arrangements	646,207	-	646,207	-	-
Compensated absences	3,541,330	723,734	-	4,265,064	-
Claims liability	7,785,398	1,197,454	-	8,982,852	-
Totals	\$ 320,547,465	\$ 3,988,496	\$ 8,819,739	\$ 315,716,222	\$ 8,939,557

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

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

A. General Obligation Bonds

Election of 2006

On June 6, 2006, an election was held where the registered voters in the District approved by a fifty-five percent majority the issuance and sale of \$275 million principal amount of general obligation bonds. The bonds are being issued to acquire, construct, renovate and equip certain District facilities. As of June 30, 2024, there are three bond issuances outstanding from this authorization: the Series B and Series 2020 Bonds.

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

Prior-Year Defeasance of Debt

In prior years the District has issued refunding bonds for the purposes of defeasing previously issued bonds. The net proceeds of these bonds were used to purchase U.S. government securities, which were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. As of June 30, 2024, there was no principal balance outstanding on the previously defeased debt.

Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2024 of \$10,682,986 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, 2023	Additions	Deductions	Balance, June 30, 2024
Refunding Bonds								
2014R	5/22/2014	8/1/2031	2.25%-5.0%	12,975,000	\$ 2,205,000	\$ -	\$ 175,000	\$ 2,030,000
2016R	6/1/2016	8/1/2029	2.0%-5.0%	49,910,000	35,445,000	-	4,370,000	31,075,000
2020R	7/15/2020	8/1/2044	0.66%-2.90%	158,315,000	153,570,000	-	650,000	152,920,000
Subtotal Refunding Bonds					191,220,000	-	5,195,000	186,025,000
Measure C (2006)								
2006B	3/11/2008	8/1/2033	3.0% - 5.25%	70,585,909	8,299,839	-	-	8,299,839
Series 2020	7/15/2020	8/1/2044	2.125%-5.000%	67,150,000	65,000,000	-	-	65,000,000
Subtotal Measure C					73,299,839	-	-	73,299,839
Total					\$ 264,519,839	\$ -	\$ 5,195,000	\$ 259,324,839
Accreted Interest				Series	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
				2006B	\$ 14,528,483	\$ 2,067,308	\$ -	\$ 16,595,791

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2024*

NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)**A. General Obligation Bonds (continued)**

The annual requirements to amortize general obligation bonds outstanding at June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2024-2025	\$ 5,990,000	\$ 6,642,037	\$ 12,632,037
2025-2026	6,865,000	6,364,816	13,229,816
2026-2027	7,810,000	6,050,078	13,860,078
2027-2028	8,710,000	5,799,418	14,509,418
2028-2029	9,585,000	5,623,510	15,208,510
2029-2034	26,374,839	69,177,593	95,552,432
2034-2039	85,340,000	20,367,005	105,707,005
2039-2044	96,650,000	7,638,438	104,288,438
2044-2045	12,000,000	153,000	12,153,000
Total	<u>\$ 259,324,839</u>	<u>\$ 127,815,895</u>	<u>\$ 387,140,734</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, 2024 of \$981,931 remain to be amortized for this refunding. As of June 30, 2024, the principal balance outstanding on the defeased debt has been paid in full.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2024*

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
2024-2025	\$ 1,795,000	\$ 626,575	\$ 2,421,575
2025-2026	1,835,000	545,000	2,380,000
2026-2027	1,935,000	469,600	2,404,600
2027-2028	1,920,000	392,500	2,312,500
2028-2029	1,690,000	320,300	2,010,300
2029-2034	5,850,000	816,450	6,666,450
2034-2036	2,120,000	60,300	2,180,300
Total	<u>\$ 17,145,000</u>	<u>\$ 3,230,725</u>	<u>\$ 20,375,725</u>

C. Leases

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

Annual future payments are as follows:

Fiscal Year	Principal	Interest	Total
2024-2025	<u>104,283</u>	<u>43</u>	<u>104,326</u>

D. Subscription Based IT Arrangements

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

As of June 30, 2024, this arrangement has been fully repaid.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2024, 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	\$ 88,636,085	\$ 12,461,263	\$ 40,174,127	\$ 9,758,992
MPP Program	1,785,732	-	-	(66,701)
Total	<u>\$ 90,421,817</u>	<u>\$ 12,461,263</u>	<u>\$ 40,174,127</u>	<u>\$ 9,692,291</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 an IRS Section 115 Trust that is used for the purposes of investment and disbursement of funds irrevocably designated by the District for the payment of its obligations to eligible employees and former employees of the District and their eligible dependents and beneficiaries for life, sick, hospitalization, major medical, accident, disability, dental and other similar benefits (sometimes referred to as "other post-employment benefits," or "OPEB.") The Trust was established and is managed in compliance with the applicable Governmental Accounting Standards Board (GASB) standards for OPEB.

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

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

Benefits Provided

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan

Benefits Provided (continued)

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

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

Inactive employees or beneficiaries currently receiving benefit payments	831
Active employees	3,213
Total	<u>4,044</u>

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, 2024 for the employer fiscal year and reporting period of July 1, 2023 to June 30, 2024. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2024 and are based on a valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs

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

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

Mortality Rates

Mortality rates are based on:

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan (continued)

Long-Term Expected Rate of Return on OPEB Plan Investments

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 5.55 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to fully fund the obligation over a period not to exceed 30 years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary* Net Position	Net OPEB Liability
Balance at July 1, 2023	\$ 182,445,564	\$ 82,981,690	\$ 99,463,874
Changes for the year:			
Service cost	6,440,309	-	6,440,309
Interest/Return	10,069,629	10,798,723	(729,094)
Administrative expenses	-	(422,834)	422,834
Differences between expected and actual experience	(895,810)	-	(895,810)
Employer Contributions	-	16,066,028	(16,066,028)
Benefit payments	(7,566,108)	(7,566,108)	-
Net changes	8,048,020	18,875,809	(10,827,789)
Balance at June 30, 2024	\$ 190,493,584	\$ 101,857,499	\$ 88,636,085

*Fiduciary Net Position does not include \$4,749,559 in contributions receivable or \$21,419 cash held in the County Treasury that is recorded in these financial statements as of June 30, 2024.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan (continued)

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

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

Discount Rate	OPEB Liability
1% decrease	\$ 113,481,106
Current discount rate	\$ 88,636,085
1% increase	\$ 67,862,978

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

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 61,272,371
Current trend rate	\$ 88,636,085
1% increase	\$ 123,024,377

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$9,758,992. In addition, at June 30, 2024, 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	\$ -	\$ 40,096,236
Changes of assumptions	12,461,263	-
Net difference between projected and actual earnings on OPEB plan investments	-	77,891
Total	\$ 12,461,263	\$ 40,174,127

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

District Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 1,726,716	\$ 4,220,841
2026	1,726,716	2,084,450
2027	1,726,716	6,044,943
2028	1,726,716	5,682,541
2029	1,726,716	4,488,721
Thereafter	3,827,683	17,652,631
Totals	<u>\$ 12,461,263</u>	<u>\$ 40,174,127</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

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

Benefits Provided

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

As of June 30, 2023, 4,457 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability

At June 30, 2024, the District reported a liability of \$1,785,732 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2023, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2024</u>	<u>Fiscal Year Ending June 30, 2023</u>	
Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
Proportion of the Net OPEB Liability	0.588502%	0.562347%	0.026155%

For the year ended June 30, 2024, the District reported OPEB expense of \$(66,701).

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2023
Valuation Date	June 30, 2022
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 179 or an average of 0.14% of the potentially eligible population of 138,780.

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

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

Medicare Premium Payment (MPP) Program (continued)

Discount Rate

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

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2023, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

Sensitivity of the 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	\$ 1,940,725
Current discount rate	\$ 1,785,732
1% increase	\$ 1,650,965

Sensitivity of the Proportionate Share of The Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 1,643,049
Current trend rate	\$ 1,785,732
1% increase	\$ 1,946,816

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS

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

For the fiscal year ended June 30, 2024, the 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	\$ 303,022,246	\$ 100,808,353	\$ 20,317,844	40,260,611
CalPERS	181,074,024	82,841,516	29,601,731	29,357,632
Total	<u>\$ 484,096,270</u>	<u>\$ 183,649,869</u>	<u>\$ 49,919,575</u>	<u>\$ 69,618,243</u>

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, 2022, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided (continued)

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

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

Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2024, are presented above, and the District's total contributions were \$46,112,535.

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$	303,022,246
State's proportionate share of the net pension liability associated with the District		145,186,479
Total	\$	<u>448,208,725</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2023. 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 Schools Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.397871%	0.374699%	0.023172%

For the year ended June 30, 2024, the District recognized pension expense of \$40,260,611. In addition, the District recognized pension expense and revenue of \$(2,108,405) for support provided by the State. At June 30, 2024, 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	\$ 46,112,535	\$ -
Net change in proportionate share of net pension liability	27,831,594	4,104,616
Difference between projected and actual earnings on pension plan investments	1,297,058	-
Changes of assumptions	1,754,609	-
Differences between expected and actual experience	23,812,557	16,213,228
Total	<u>\$ 100,808,353</u>	<u>\$ 20,317,844</u>

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 4,650,361	\$ 10,298,982
2026	4,650,361	14,464,872
2027	29,101,530	(964,550)
2028	4,074,337	(964,550)
2029	4,405,563	(964,550)
Thereafter	7,813,667	(1,552,360)
Total	<u>\$ 54,695,819</u>	<u>\$ 20,317,844</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, 2022, and rolling forward the total pension liability to June 30, 2023. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2023, include:

Valuation Date	June 30, 2022
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

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

Discount Rate

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

The following presents 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%)	\$ 508,295,637
Current discount rate (7.10%)	\$ 303,022,246
1% increase (8.10%)	\$ 132,518,769

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$23,222,800.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

Benefits Provided

Schools

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

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

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	26.68%	26.68%

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided (continued)

Safety

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Safety Risk Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
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	2.0%-3.0%	2.0%-2.7%
Required Employee Contribution Rate	Varies	Varies
Required Employer Contribution Rate	Varies	Varies

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2024 are presented above, and the total District contributions were \$24,736,384.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2024***NOTE 9 – PENSION PLANS (continued)****B. California Public Employees Retirement System (CalPERS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$181,074,024. The net pension liability was measured as of June 30, 2023. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Schools Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.4910824%	0.5050455%	-0.0139631%

	Percentage Share of Safety Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Total Pension Liability	0.046843%	0.046730%	0.000113%
Proportion of the Fiduciary Net Position	0.047713%	0.047949%	-0.000237%

For the year ended June 30, 2024, the District recognized pension expense of \$29,357,632. At June 30, 2024, 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	\$ 24,736,384	\$ -
Net change in proportionate share of net pension liability	1,644,558	4,994,325
Difference between projected and actual earnings on pension plan investments	41,322,330	21,855,168
Changes of assumptions	8,393,975	-
Differences between expected and actual experience	6,744,269	2,752,238
Total	<u>\$ 82,841,516</u>	<u>\$ 29,601,731</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 22,404,582	\$ 14,009,570
2026	19,815,692	13,707,043
2027	15,263,792	1,047,288
2028	621,066	837,830
2029	-	-
Thereafter	-	-
Total	<u>\$ 58,105,132</u>	<u>\$ 29,601,731</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, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 262,417,308
Current discount rate (6.9%)	\$ 184,381,684
1% increase (7.9%)	\$ 114,216,638

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans

At June 30, 2024, the District reported payables of \$4,166,091 and \$135,728 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2024.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 10 – JOINT VENTURES

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

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

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

B. Construction Commitments

As of June 30, 2024, the District had commitments with respect to unfinished capital projects of approximately \$141.2 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, 2024.

NOTE 12 – RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. During fiscal year ending June 30, 2024, 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 2023-24, the District was self-funded for workers' compensation for the first \$750,000 of a claim, with excess coverage provided by Mid-West Employers (a fully insured program).

Employee Medical Benefits

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 12 – RISK MANAGEMENT (continued)

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, 2022 to June 30, 2024:

	Workers' Compensation
Liability Balance, July 1, 2022	\$ 7,433,140
Claims and changes in estimates	(638,805)
Claims payments	991,063
Liability Balance, June 30, 2023	7,785,398
Claims and changes in estimates	(2,286,107)
Claims payments	3,483,561
Liability Balance, June 30, 2024	<u>\$ 8,982,852</u>
Assets available to pay claims at June 30, 2024	<u>\$ 22,169,768</u>

NOTE 13 – SUBSEQUENT EVENT

On November 5, 2024, voters approved Measure I which would allow the District to issue \$408,000,000 in bonds with bond revenue going to expand facilities, career training education programs, labs, including robotics, coding and construction; increase science, technology, engineering, arts and math classrooms; and ensure access for individuals with disabilities.

Required Supplementary Information

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FONTANA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	\$ 495,091,034	\$ 499,636,817	\$ 499,081,243	\$ (555,574)
Federal sources	78,808,322	46,453,130	45,392,231	(1,060,899)
Other state sources	107,614,863	89,999,519	95,935,565	5,936,046
Other local sources	5,486,000	23,935,364	29,557,032	5,621,668
Total Revenues	687,000,219	660,024,830	669,966,071	9,941,241
Expenditures				
Current:				
Certificated salaries	244,389,899	244,829,397	244,348,741	480,656
Classified salaries	84,882,744	85,469,394	85,188,025	281,369
Employee benefits	183,852,316	184,405,534	183,637,574	767,960
Books and supplies	36,323,122	32,072,768	30,788,405	1,284,363
Services and other operating expenditures	90,788,294	90,612,537	89,748,252	864,285
Capital outlay	31,156,794	12,564,027	19,356,417	(6,792,390)
Other outgo	(732,793)	(660,204)	(662,015)	1,811
Total Expenditures	670,660,376	649,293,453	652,405,399	(3,111,946)
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,339,843	10,731,377	17,560,672	6,829,295
Other Financing Sources and Uses				
Interfund transfers out	(49,151)	(27,354)	(131)	27,223
Total Other Financing Sources and Uses	(49,151)	(27,354)	(131)	27,223
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,290,692	10,704,023	17,560,541	6,856,518
Fund Balances, July 1, 2023	298,538,846	323,310,659	323,310,659	-
Fund Balances, June 30, 2024	\$ 314,829,538	\$ 334,014,682	340,871,200	\$ 6,856,518
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Other than Capital Outlay			13,491,810	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			\$ 354,363,010	

FONTANA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal sources	\$ 20,721,551	\$ 21,122,095	\$ 22,267,807	\$ 1,145,712
Other state sources	9,904,847	10,998,144	11,167,983	169,839
Other local sources	396,500	1,381,500	1,691,601	310,101
Total Revenues	31,022,898	33,501,739	35,127,391	1,625,652
Expenditures				
Current:				
Classified salaries	10,227,003	9,713,120	9,130,541	582,579
Employee benefits	5,570,664	5,352,416	5,199,179	153,237
Books and supplies	14,895,016	12,256,915	12,554,712	(297,797)
Services and other operating expenditures	686,166	536,520	121,382	415,138
Transfers of indirect costs	592,208	561,096	514,391	46,705
Capital Outlay	7,141,910	1,274,229	273,432	1,000,797
Total Expenditures	39,112,967	29,694,296	27,793,637	1,900,659
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(8,090,069)	3,807,443	7,333,754	3,526,311
Other Financing Sources and Uses				
Interfund Transfers In	-	131	131	-
Total Other Financing Sources and Uses	-	131	131	-
Net Change in Fund Balance	(8,090,069)	3,807,574	7,333,885	3,526,311
Fund Balances, July 1, 2023	25,324,841	30,169,752	30,169,752	-
Fund Balances, June 30, 2024	<u>\$ 17,234,772</u>	<u>\$ 33,977,326</u>	<u>\$ 37,503,637</u>	<u>\$ 3,526,311</u>

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2024

	<i>Last Ten Fiscal Years</i>				
Employer Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Measurement Period	2022-23	2021-22	2020-21	2019-20	2018-19
District's proportion of the net pension liability	0.3979%	0.3747%	0.3706%	0.3753%	0.3722%
District's proportionate share of the net pension liability	\$ 303,022,246	\$ 260,363,383	\$ 168,645,710	\$ 363,675,714	\$ 336,178,983
State's proportionate share of the net pension liability associated with the District	145,186,479	130,388,965	84,855,980	187,474,874	183,408,079
Totals	<u>\$ 448,208,725</u>	<u>\$ 390,752,348</u>	<u>\$ 253,501,691</u>	<u>\$ 551,150,588</u>	<u>\$ 519,587,062</u>
District's covered-employee payroll	<u>\$ 237,028,786</u>	<u>\$ 230,950,015</u>	<u>\$ 205,717,848</u>	<u>\$ 203,783,901</u>	<u>\$ 203,382,586</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	127.84%	112.74%	81.98%	178.46%	165.29%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
Employer Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Measurement Period	2017-18	2016-17	2015-16	2014-15	2013-14
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	<u>\$ 517,834,227</u>	<u>\$ 518,587,052</u>	<u>\$ 460,762,759</u>	<u>\$ 372,609,782</u>	<u>\$ 295,231,034</u>
District's covered-employee payroll	<u>\$ 187,426,292</u>	<u>\$ 193,276,161</u>	<u>\$ 183,389,842</u>	<u>\$ 165,939,764</u>	<u>\$ 156,232,242</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	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%

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2024

	<i>Last Ten Fiscal Years</i>				
Employer Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Measurement Period	2022-23	2021-22	2020-21	2019-20	2018-19
District's proportion of the net pension liability	0.4911%	0.5050%	0.5016%	0.5082%	0.4990%
District's proportionate share of the net pension liability	\$ 177,766,364	\$ 173,781,525	\$ 101,999,796	\$ 158,339,580	\$ 147,557,774
District's covered-employee payroll	\$ 87,627,797	\$ 79,999,616	\$ 84,460,453	\$ 75,365,042	\$ 73,988,479
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.87%	217.23%	120.77%	210.10%	199.43%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
Employer Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Measurement Period	2017-18	2016-17	2015-16	2014-15	2013-14
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	\$ 138,962,080	\$ 125,305,087	\$ 101,140,188	\$ 73,312,991	\$ 60,529,601
District's covered-employee payroll	\$ 74,126,166	\$ 69,032,801	\$ 66,132,732	\$ 58,737,694	\$ 53,355,454
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.47%	181.52%	152.94%	124.81%	113.45%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2024

	<i>Last Ten Fiscal Years</i>				
Employer Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Contractually required contribution	\$ 46,112,535	\$ 45,272,498	\$ 39,076,743	\$ 35,177,752	\$ 34,847,047
Contributions in relation to the contractually required contribution	46,112,535	45,272,498	39,076,743	35,177,752	34,847,047
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	241,426,883	237,028,786	230,950,015	205,717,848	\$ 203,783,901
Contributions as a percentage of covered-employee payroll	19.10%	19.10%	16.92%	16.15%	17.10%
Employer Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	\$ 33,110,685	\$ 27,045,614	\$ 24,314,141	\$ 19,677,730	\$ 14,735,451
Contributions in relation to the contractually required contribution	33,110,685	27,045,614	24,314,141	19,677,730	14,735,451
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 203,382,586	\$ 187,426,292	\$ 193,276,161	\$ 183,389,842	\$ 165,939,764
Contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	8.88%

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2024

	<i>Last Ten Fiscal Years</i>				
Employer Fiscal Year	2023-24	2022-23	2021-22	2020-21	2019-20
Contractually required contribution	\$ 24,736,384	\$ 22,231,172	\$ 18,327,912	\$ 16,656,446	\$ 14,862,740
Contributions in relation to the contractually required contribution	24,736,384	22,231,172	18,327,912	16,656,446	14,862,740
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	92,715,082	87,627,797	79,999,616	84,460,453	\$ 75,365,042
Contributions as a percentage of covered-employee payroll	26.680%	25.370%	22.910%	20.700%	19.721%
Employer Fiscal Year	2018-19	2017-18	2016-17	2015-16	2014-15
Contractually required contribution	\$ 13,944,745	\$ 11,638,733	\$ 9,403,240	\$ 7,693,218	\$ 6,799,457
Contributions in relation to the contractually required contribution	13,944,745	11,638,733	9,403,240	7,693,218	6,799,457
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 73,988,479	\$ 74,126,166	\$ 69,032,801	\$ 66,132,732	\$ 58,737,694
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.621%	11.633%	11.576%

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2024

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years						
	2023-24 2023-24	2022-23 2022-23	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
Total OPEB liability							
Service cost	\$ 6,440,309	\$ 7,417,349	\$ 7,218,831	\$ 7,229,988	\$ 7,036,485	\$ 6,199,168	\$ 6,033,254
Interest/Return	10,069,629	11,198,355	10,663,479	11,017,955	10,428,489	9,482,869	8,992,926
Differences between expected and actual experience	-	(35,427,049)	-	(10,059,648)	-	-	-
Changes in assumptions	(895,810)	5,356,614	-	1,790,631	-	13,515,010	-
Experience gains/losses	-	-	-	-	-	(6,250,791)	-
Benefit payments	(7,566,108)	(8,326,374)	(8,361,973)	(7,244,683)	(7,552,367)	(6,569,848)	(6,753,855)
Net change in total OPEB liability	8,048,020	(19,781,105)	9,520,337	2,734,243	9,912,607	16,376,408	8,272,325
Total OPEB liability - beginning	182,445,564	202,226,669	192,706,332	189,972,089	180,059,482	163,683,074	155,410,749
Total OPEB liability - ending	\$ 190,493,584	\$ 182,445,564	\$ 202,226,669	\$ 192,706,332	\$ 189,972,089	\$ 180,059,482	\$ 163,683,074
Plan fiduciary net position							
Contributions - employer	\$ 16,066,028	\$ 17,036,787	\$ 16,032,115	\$ 7,244,683	\$ 15,767,223	\$ 13,765,767	\$ 14,992,254
Net investment income	10,798,723	5,860,435	-	14,316,688	3,268,428	2,748,704	1,871,706
Benefit payments	(7,566,108)	(8,326,374)	(8,361,973)	(7,244,683)	(7,552,367)	(6,569,848)	(6,753,855)
Investment gains/losses	-	-	(15,337,021)	-	(749,849)	(437,303)	-
Administrative expense	(422,834)	(356,797)	(378,387)	(342,688)	(293,044)	(241,614)	(193,342)
Net change in plan fiduciary net position	18,875,809	14,214,051	(8,045,266)	13,974,000	10,440,391	9,265,706	9,916,763
Plan fiduciary net position - beginning	82,981,690	68,767,639	76,812,905	62,838,905	52,398,514	43,132,808	33,216,045
Plan fiduciary net position - ending	\$ 101,857,499	\$ 82,981,690	\$ 68,767,639	\$ 76,812,905	\$ 62,838,905	\$ 52,398,514	\$ 43,132,808
District's net OPEB liability - ending	\$ 88,636,085	\$ 99,463,874	\$ 133,459,030	\$ 115,893,427	\$ 127,133,184	\$ 127,660,968	\$ 120,550,266
Plan fiduciary net position as a percentage of the total OPEB liability	53.47%	45.48%	34.01%	39.86%	33.08%	29.10%	26.35%
Covered-employee payroll	\$ 278,748,516	\$ 271,288,093	\$ 264,027,341	\$ 256,960,916	\$ 250,083,616	\$ 243,390,381	\$ 236,876,283
Net OPEB liability as a percentage of covered-employee payroll	31.80%	36.66%	50.55%	45.10%	50.84%	52.45%	50.89%

See accompanying notes to required supplementary information.

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of the OPEB Contributions For the Fiscal Year Ended June 30, 2024

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*						
	2023-24 2023-24	2022-23 2022-23	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
Actuarially determined contribution	\$ 14,317,722	\$ 14,607,248	\$ 17,820,073	N/A	N/A	N/A	N/A
Contributions in relation to the actuarially determined contribution	16,066,028	17,036,787	23,250,946	14,474,671	22,803,708	19,964,935	21,025,508
Contribution deficiency (excess)	\$ (1,748,306)	\$ (2,429,539)	\$ (5,430,873)	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 278,748,516	\$ 271,288,093	\$ 264,027,341	\$ 256,960,916	\$ 250,083,616	\$ 243,390,381	\$ 236,876,283
Contributions as a percentage of covered-employee payroll	5.76%	6.28%	8.81%	5.63%	9.12%	8.20%	8.88%

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

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program For the Fiscal Year Ended June 30, 2024

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*						
	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of net OPEB liability	0.5885%	0.5623%	0.5570%	0.5687%	0.5753%	0.5634%	0.5608%
District's proportionate share of net OPEB liability	\$ 1,785,732	\$ 1,852,432	\$ 2,221,866	\$ 2,410,191	\$ 2,142,394	\$ 2,156,647	\$ 2,359,144
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

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

FONTANA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

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.

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

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

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Schedule of Pension Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

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

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

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

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

FONTANA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

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

Change of assumptions – The discount rate was changed from 3.54 percent to 3.65 percent since the previous valuation.

Supplementary Information

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FONTANA UNIFIED SCHOOL DISTRICT*Schedule of Average Daily Attendance**For the Fiscal Year Ended June 30, 2024*

	Second Period Report	Annual Report
Regular ADA & Extended Year:		
TK/Grades K-3	8,823.52	8,832.27
Grades 4-6	6,960.51	6,955.98
Grades 7-8	4,826.67	4,817.95
Grades 9-12	10,617.71	10,576.62
Total Regular ADA	31,228.41	31,182.82
Special Education-Nonpublic, Nonsectarian Schools:		
TK/Grades K-3	1.39	1.69
Grades 4-6	7.78	8.26
Grades 7-8	5.71	6.27
Grades 9-12	16.55	17.30
Total Special Education-Nonpublic, Nonsectarian Schools	31.43	33.52
Total ADA	31,259.84	31,216.34

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2024

Grade Level	Instructional Minutes Requirement	Instructional Minutes Offered			Instructional Days Offered			Status
		Actual Minutes Offered	J13-A Credited	Total	Actual Days Offered	J13-A Credited	Total	
Kindergarten	36,000	38,485	215	38,700	179	1	180	Complied
Grade 1	50,400	52,335	320	52,655	179	1	180	Complied
Grade 2	50,400	52,335	320	52,655	179	1	180	Complied
Grade 3	50,400	52,335	320	52,655	179	1	180	Complied
Grade 4	54,000	54,245	335	54,580	179	1	180	Complied
Grade 5	54,000	54,245	335	54,580	179	1	180	Complied
Grade 6	54,000	54,245	335	54,580	179	1	180	Complied
Grade 7	54,000	60,452	362	60,814	179	1	180	Complied
Grade 8	54,000	60,452	362	60,814	179	1	180	Complied
Grade 9	64,800	65,108	385	65,493	179	1	180	Complied
Grade 10	64,800	65,108	385	65,493	179	1	180	Complied
Grade 11	64,800	65,108	385	65,493	179	1	180	Complied
Grade 12	64,800	65,108	385	65,493	179	1	180	Complied

* The District received an approved J-13A waiver for 1 day minutes ranged from 215 to 385.

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2024

General Fund	(Budget) 2025 ²	2024 ³	2023	2022
Revenues and other financing sources	\$ 683,398,181	\$ 669,966,071	\$ 730,386,462	\$ 612,893,423
Expenditures	733,366,867	652,405,399	627,989,456	611,300,679
Other uses and transfers out	146,656	131	-	3,079
Total outgo	733,513,523	652,405,530	627,989,456	611,303,758
Change in fund balance (deficit)	(50,115,342)	17,560,541	102,397,006	1,589,665
Ending fund balance	\$ 290,755,858	\$ 340,871,200	\$ 323,310,659	\$ 220,913,653
Available reserves ¹	\$ 26,658,326	\$ 17,895,090	\$ 29,963,436	\$ 36,149,462
Available reserves as a percentage of total outgo	3.6%	2.7%	4.8%	5.9%
Total long-term debt	\$ 881,294,752	\$ 890,234,309	\$ 858,961,125	\$ 733,483,212
Average daily attendance at P-2	30,424	31,260	31,444	31,444

The General Fund balance has increased over the past two years by \$120.0 million. The fiscal year 2024-25 adopted budget projects an decrease of \$50.1 million. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in each of the past three years, but anticipates incurring an operating deficit during the 2024-25 fiscal year. Long-term debt has increased by \$156.8 million over the past two years.

Average daily attendance decreased by 184 compared to the 2021-22 fiscal year. Budgeted ADA for 2024-25 anticipates an additional 836 ADA decrease.

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

² Revised Final Budget September, 2024.

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

FONTANA UNIFIED SCHOOL DISTRICT***Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2024***

	General Fund	Internal Service Fund
June 30, 2024, annual financial and budget report (SACS) fund balances	\$ 348,523,596	\$ 12,329,238
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts receivable understated	-	402,931
Accounts payable understated	(7,652,396)	(755,578)
Claims liability understated	-	(559,398)
Removing JPA tracked within fund	-	783,517
Net adjustments and reclassifications	(7,652,396)	(128,528)
June 30, 2024, audited financial statement fund balances	<u>\$ 340,871,200</u>	<u>\$ 12,200,710</u>

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Sub -Total Expenditures	Federal Expenditures
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	\$ 3,110,276	
School Breakfast Program - Basic	10.553	13390	1,140	
National School Lunch Program	10.555	13523	13,487,250	
Supply Chain Assistance Funds	10.555	15655	41,889	
USDA Donated Foods	10.555	13391	1,719,550	
Total Child Nutrition Cluster				\$ 18,360,105
Passed through California Dept. of Social Services:				
Child and Adult Care Food Program:				
Child and Adult Care Food Program	10.558	13393	2,087,279	
Child and Adult Care Food Program Cash in Lieu	10.558	13393	894,548	
Total Child and Adult Care Food Program				2,981,827
Total U.S. Department of Agriculture				21,341,932
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	283,893	
Adult Basic Education & ESL	84.002A	14508	353,285	
English Literacy & Civics Education	84.002A	14109	205,787	
Total Adult Education Cluster				842,965
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		13,214,772
Title II, Part A, Supporting Effective Instruction	84.367	14344		1,093,234
English Language Acquisition Grants				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	2,216,908	
Title III, Immigrant Education Program	84.365	15146	751	
Subtotal English Language Acquisition Grants				2,217,659
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		950,459
Strengthening Career and Tech. Education Grants				
Strengthening Career and Tech. Education for the 21st Century: Adult, Sect. 132	84.048	14893	30,592	
Strengthening Career and Technical Education for the 21st Century: Secondary, Sec. 131	84.048	14894	364,666	
Subtotal Strengthening Career and Tech. Education Grants				395,258
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	7,435,165	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	28,363	
Preschool Grants, Part B, Sec 619	84.173	13430	163,890	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	402,611	
Preschool Staff Development	84.173A	13431	1,284	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	29,729	
Subtotal Special Education Cluster				8,061,042
Early Intervention Grants				
Early Intervention Grants, Part C	84.181	23761	129,885	
COVID-19 ARP IDEA Part C, Early Education Program	84.181X	25657	24,335	
Subtotal Early Intervention Grants				154,220
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006		286,295
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	6,622,600	
Elementary and Secondary School Emergency Relief III (ESSER III) Learning Loss	84.425U	10155	4,968,780	
Expanded Learning Opportunities Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	2,701,494	
Expanded Learning Opportunities Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	4,656,910	
American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425U	15566	33,345	
Subtotal Education Stabilization Fund				18,983,129
Total U.S. Department of Education				46,199,033
U.S. Department of Health & Human Services:				
Direct Federal to Local Program:				
Head Start	93.600	N/A		407,263
Passed through California Dept. of Education (CDE):				
Now is the Time (NITT) Advancing Wellness & Resilience in Education	93.243	15289		66,755
Child Care and Development Fund Cluster				
Federal Child Care, Center-based	93.596	13609	127,504	
COVID-19 CARES Act General Child Care and Development (CCTR)	93.575	15549	14,215	
Quality Improvement Activities	93.575	14092	46,980	
COVID-19 ARP California State Preschool Program One-time Stipend	93.575	15640	31,904	
Subtotal Child Care and Development Fund Cluster				220,603
Total U.S. Department of Health & Human Services				694,621
Total Expenditures of Federal Awards				\$ 68,235,586

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

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2024

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

FONTANA UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2024

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards

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

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

	Assistance Listing Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 69,162,259
Differences between Federal Revenues and Expenditures:		
Supply Chain Assistance Funds	10.555	(925,875)
Child Development: ARP California State Preschool Program One-time Stipend	93.575	31,904
Coronavirus Response and Relief Supplemental Appropriations Act- One-time Stipend	93.575	(32,702)
Total Schedule of Expenditures of Federal Awards		\$ 68,235,586

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Other Information

FONTANA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2024

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

GOVERNING BOARD

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

DISTRICT ADMINISTRATORS

Miki R. Inbody,
Superintendent

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

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

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

Glenn Alegre,
Chief of Technology and Digital Integration

Craig Baker,
Assistant Superintendent, Student Services

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Other Independent Auditors' Reports

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

Board of Education
Fontana Unified School District
Fontana, California

the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Murrieta, California
November 19, 2024



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

Board of Education
Fontana Unified School District
Fontana, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Fontana Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Fontana Unified School District's major federal programs for the year ended June 30, 2024. The Fontana Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Fontana Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

Murrieta, California
November 19, 2024



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Fontana Unified School District
Fontana, California

Report on Compliance

Opinion

We have audited the Fontana Unified School District's (District) compliance with the requirements specified in the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2024.

In our opinion, Fontana Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2024.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

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

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as Finding 2024-001. Our opinion on each state program is not modified with respect to this matter.

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

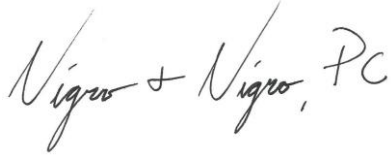
Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Murrieta, California
November 19, 2024

Schedule of Findings and Questioned Costs

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FONTANA UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2024

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected
84.365	English Language Acquisition Grants
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,047,068
Auditee qualified as low-risk auditee?	Yes

State Awards

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

Financial Statement Findings

For the Fiscal Year Ended June 30, 2024

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

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

There were no financial statement findings in 2023-24.

FONTANA UNIFIED SCHOOL DISTRICT
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

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

There were no federal award findings or questioned costs in 2023-24.

FONTANA UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

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

Finding 2024-001: Expanded Learning Opportunity Program (40000)

Repeat Finding? No

Criteria: Expanded Learning Opportunity Programs (ELOP) that serve transitional kindergarten or kindergarten pupils, must maintain a pupil-to-staff member ratio of no more than 10 to 1 and all other grades must maintain a pupil-to-staff member ratio of no more than 20 to 1, pursuant to EC Section 46120(b)(2)(D).

Condition: For four of the eight schools tested, the District identified at least one or more days when the program was operated and the required pupil-to-staff ratio was exceeded.

Context: Auditor tested ELOP at eight sites and noted four sites with exceptions. Exceptions were noted at Citrus Elementary, Fontana Middle, Shadow Hills Elementary, and Alder Middle.

Cause: Due to constantly fluctuating attendance and staffing availability, some sites had days when the number pupils attending exceeded the allowable ratio based on the staff present.

Effect: No financial impact.

Recommendation: We recommend the District monitor their attendance at all programs and adjust staffing as necessary to maintain required ratios.

Views of Responsible Official: The District has partnered with the City of Fontana to provide the after-school program for our students. The District has discussed the finding with the City. Both City and District staff will monitor the adult to pupil ratio on a daily basis. The City has contracted with ELEVO to supply staffing for sites when they have vacancies to ensure required ratios are met.

FONTANA UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2024

Original Finding No.	Finding	Code	Recommendation	Current Status
2023-001: <i>After/Before School Education and Safety Program</i>	The After School Education and Safety Program (ASES) was established to serve pupils in kindergarten through grade nine. In accordance with Education Code Section 8483 (a)(1), there are stringent regulations in operating and reporting attendance for the program. For the four schools tested, the District reported attendance for the After School Program that was not consistent with the back-up that the District provided. The District uses attendance programs maintained by an outside provider. The auditor reviewed sign-out sheets at a sample of sites, and noted that all sites recorded students as present who left before 6:00 and had no documented early release code or reason.	40000	We recommend the District reconcile their attendance monthly, follow-up on any variances, and provide training to all levels of employees involved with the program regarding all policies and procedures.	Implemented.
2023-002: <i>School Accountability Report Card Repeat of finding 2022-001</i>	In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year. One SARCs reviewed, Locust Elementary, indicated a "Good" structural rating but this was indicated as "Fair" on the FIT form.	72000	We recommend that an employee verify the information presented in the SARC. This information is essential to present the image of the school fairly to the public.	Implemented.



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, 2024, 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 November 19, 2024 on the financial statements of Fontana Unified School District.

The following observations and recommendations are not audit findings.

ASSOCIATED STUDENT BODY FUNDS

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

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

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

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

Observation: During our testing of disbursements at Jurupa Hills High, we noted several purchases that were not pre-approved or were missing supporting documentation.

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

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

DISTRICT OFFICE

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

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

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

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

Murrieta, California
November 19, 2024