

**FONTANA UNIFIED SCHOOL DISTRICT
SAN BERNARDINO COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2025**

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FONTANA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2025

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FONTANA UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2025

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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, 2025, 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, 2025, 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 *2024-25 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.

Changes in Accounting Principle

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, prior year liabilities on the Statement of Net Position were restated to adopt this standard. Our opinion is not modified with respect to this matter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for the 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 December 1, 2025 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.



Murrieta, California
December 1, 2025

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FONTANA UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

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, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

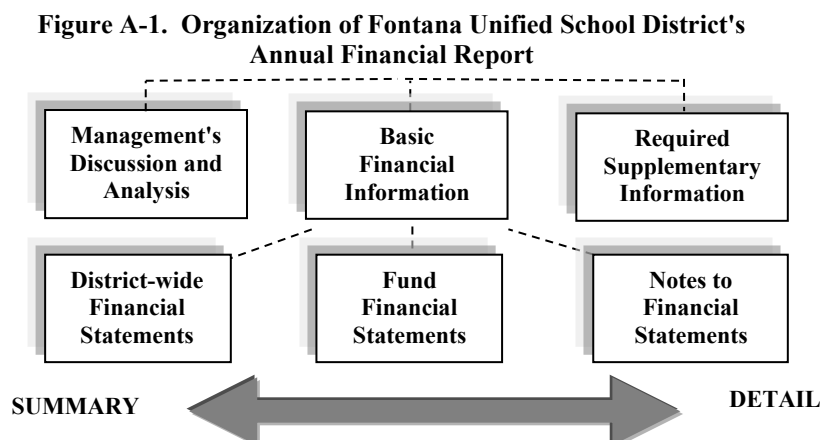
- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$76.6 million, or 20.5%.
- Governmental expenses were about \$713.9 million. Revenues were about \$790.4 million.
- The District acquired over \$101.2 million in new capital assets, leased assets, and subscription assets during the year.
- Governmental funds increased by \$116.1 million, or 18.8%.
- Reserves for the General Fund increased by \$11.4 million or 63.5%. Revenues and other sources were \$715.4 million, and expenditures and other financing uses were \$727.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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, 2025

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, 2025

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, 2025, than it was the year before – increasing 20.5% to \$450.7 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2025	2024*	
Assets			
Current assets	\$ 871,680,051	\$ 758,943,336	\$ 112,736,715
Capital assets	604,619,852	527,802,489	76,817,363
Total assets	1,476,299,903	1,286,745,825	189,554,078
Total Deferred Outflows of Resources	204,349,058	207,776,049	(3,426,991)
Liabilities			
Current liabilities	115,841,743	121,787,092	(5,945,349)
Long-term liabilities	990,347,464	908,540,906	81,806,558
Total Liabilities	1,106,189,207	1,030,327,998	75,861,209
Total Deferred Inflows of Resources	123,791,758	90,093,702	33,698,056
Net Position			
Net investment in capital assets	404,351,931	353,160,928	51,191,003
Restricted	320,591,773	319,389,598	1,202,175
Unrestricted	(274,275,708)	(298,450,352)	24,174,644
Total Net Position	\$ 450,667,996	\$ 374,100,174	\$ 76,567,822

*As restated

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 5.3% to \$790.4 million (See Table A-2). The increase is due primarily to higher operating grants and contributions.

The total cost of all programs and services increased 3.7% to \$713.9 million. The District's expenses are predominantly related to educating and caring for students, 79.7%. The purely administrative activities of the District accounted for just 4.7% of total costs. A significant contributor to the increase in costs was an increase in instruction-related expenses.

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2025	2024	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	\$ 11,610,076	\$ 13,576,936	\$ (1,966,860)
Operating grants and contributions	204,640,554	168,389,041	36,251,513
Capital grants and contributions	944,820	149,087	795,733
General Revenues:			
Property taxes	105,001,065	95,657,649	9,343,416
Federal and state aid not restricted	427,339,755	437,768,997	(10,429,242)
Other general revenues	40,910,039	35,430,896	5,479,143
Total Revenues	790,446,309	750,972,606	39,473,703
Expenses			
Instruction-related	487,541,895	471,416,422	16,125,473
Pupil services	81,680,073	75,914,730	5,765,343
Administration	33,812,487	28,522,967	5,289,520
Plant services	72,268,765	73,323,609	(1,054,844)
All other activities	38,575,267	39,420,704	(845,437)
Total Expenses	713,878,487	688,598,432	25,280,055
Increase (decrease) in net position	\$ 76,567,822	\$ 62,374,174	\$ 14,193,648
Total Net Position	\$ 450,667,996	\$ 374,100,174	\$ 76,567,822

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

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 \$735.1 million, which is above last year's ending fund balance of \$619.0 million. The primary cause of the increased fund balance is the result of new bond issuance in the building fund.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2024	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2025
General Fund	\$ 340,871,200	\$ 711,566,156	\$ 707,681,061	\$ (15,918,977)	\$ 328,837,318
Student Activity Fund	2,424,794	4,544,118	4,328,180	-	2,640,732
Adult Education Fund	1,239,196	4,352,468	3,763,246	-	1,828,418
Child Development Fund	5,913,193	16,233,076	14,548,443	89,610	7,687,436
Cafeteria Fund	37,503,637	34,875,740	28,485,301	-	43,894,076
Special Reserve Fund (Other Than Capital Outlay)	13,491,810	790,358	-	-	14,282,168
Building Fund	43,542,820	3,410,056	11,351,978	136,000,000	171,600,898
Capital Facilities Fund	65,506,718	10,890,810	27,613,909	-	48,783,619
County School Facilities Fund	2,981,272	944,821	-	(655,385)	3,270,708
Special Reserve Fund (Capital Outlay)	35,208,355	14,732,811	19,442,379	20,368,347	50,867,134
Capital Projects Fund for Blended Component Units	55,918,934	8,734,312	26,104,001	-	38,549,245
Bond Interest and Redemption Fund	14,416,084	13,323,124	13,120,214	8,262,798	22,881,792
	<u>\$ 619,018,013</u>	<u>\$ 824,397,850</u>	<u>\$ 856,438,712</u>	<u>\$ 148,146,393</u>	<u>\$ 735,123,544</u>

General Fund Budgetary Highlights

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

- Revenues – increased by \$22.0 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased \$6.6 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$23.9 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would fall short of expenditures by about \$45.2 million, the actual results for the year show that revenues exceeded expenditures by roughly \$3.9 million. Actual revenues were \$6.1 million more than anticipated, and expenditures were \$42.9 million less than budgeted.

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024-25 the District had acquired \$101.2 million in new capital assets, related to land, construction in progress, site improvements, leases, subscription assets, 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 \$22.8 million and amortization was \$1.1 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2025	2024	
Land	\$ 59,340,012	\$ 59,340,012	\$ -
Improvement of sites	35,665,445	30,035,219	5,630,226
Buildings	377,439,002	363,929,606	13,509,396
Equipment	45,774,015	27,900,730	17,873,285
Construction in progress	83,510,675	46,492,950	37,017,725
Lease assets	1,809,999	103,972	1,706,027
Subscription assets	1,080,704	-	1,080,704
Total	<u>\$ 604,619,852</u>	<u>\$ 527,802,489</u>	<u>\$ 76,817,363</u>

Long-Term Debt

At year-end the District had \$990.3 million in long-term liabilities – an increase of 9.0% 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)
	2025	2024*	
General obligation bonds	\$ 422,305,813	\$ 282,819,920	\$ 139,485,893
Certificates of participation	17,548,934	19,544,103	(1,995,169)
Subscription-based IT arrangements	1,094,696	-	1,094,696
Leases	1,811,807	104,283	1,707,524
Compensated absences	25,505,825	22,571,661	2,934,164
Claims liability	9,729,720	8,982,852	746,868
Other postemployment benefits	95,455,012	90,421,817	5,033,195
Net pension liability	416,895,657	484,096,270	(67,200,613)
Total	<u>\$ 990,347,464</u>	<u>\$ 908,540,906</u>	<u>\$ 81,806,558</u>

*As restated

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

FACTORS BEARING ON THE DISTRICT'S FUTURE

California State Budget

The Budget aims to solve a \$11.8 billion General Fund deficit for 2025-26 through reductions, borrowing and fund shifts. The 2025-26 Enacted Budget relies on reserves and deferrals to meet its Proposition 98 obligations for the fiscal year, including the scheduled \$7.1 billion Budget Stabilization Act (BSA) withdrawal in 2025-26. This will leave a combined reserve balance of \$15.7 billion in 2025-26, including \$11.2 billion in the BSA and an additional \$4.5 billion in the state's discretionary reserve account (the Special Fund for Economic Uncertainties).

TK-12 Education

The Budget includes total funding of \$137.6 billion (\$80.5 billion General Fund and \$57.1 billion other funds) for all TK-12 education programs.

Proposition 98

The Budget revised estimates of General Fund revenues resulting in notable adjustments to the Proposition 98 Guarantee. The revised Guarantee for TK-14 schools is calculated to be \$98.5 billion in 2023-24, \$119.9 billion in 2024-25, and \$114.6 billion in 2025-26. These revised Proposition 98 levels represent an increase of approximately \$3.9 billion over the three-year period relative to the 2024 Budget Act. The Budget appropriates the 2024-25 Guarantee at \$118 billion, instead of the currently calculated level of \$119.9 billion. The difference between the appropriated and the calculated levels is \$1.9 billion, which is referred to as "settle-up." The 2024-25 Guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026.

The Budget shifts the full TK expansion funding to the TK-12 education side of the Proposition 98 budget, beginning in the 2025-26 fiscal year. This shifts \$232.9 million in ongoing resources from community colleges to TK-12 schools. The purpose of re-benching Proposition 98 for the cost of TK expansion is to ensure that the implementation of universal TK does not create a fiscal burden on existing TK-12 programs.

The Budget includes a LCFF cost-of-living adjustment of 2.3 percent. When combined with population growth adjustments, these baseline adjustments will increase discretionary funds for local educational agencies (LEAs) by \$2.1 billion compared to the 2024 Budget Act. To fully fund the LCFF, the Budget uses \$405.3 million from the Proposition 98 Rainy Day Fund to support LCFF costs in 2025-26.

Budgetary deferrals of \$246.6 million for TK-12 education from 2024-25 will be fully repaid in 2025-26. However, to fully fund the LCFF and maintain the level of 2025-26 principal apportionments, the Budget defers \$1.9 billion in LCFF funding from June 2026 to July 2026.

Funding Results for Education Programs

In the 2025-26 school year, the Budget provides a total of \$2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal TK. The Budget also provides an additional \$1.2 billion ongoing Proposition 98 General Fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.

The Budget provides \$515.1 million ongoing for the full implementation of the Expanded Learning Opportunities Program by increasing the number of elementary schools that offer universal access to students. Additionally, the Budget includes \$10.4 million to increase the minimum grant amount from \$50,000 to \$100,000 per LEA.

The Budget provides \$480 million to support literacy instruction aligned with the ELA/ELD Framework and includes multiple investments intended to support teachers and improve access to the educator pipeline. In addition, the Budget allocates \$1.7 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block Grant, as well as numerous one-time grants for various new and ongoing program support.

FONTANA UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Federal Implications

Because the State Budget was approved in late June, it does not reflect the impact of the cuts in federal spending included in the federal omnibus tax and spending bill signed in early July. The bill does not make any statutory or direct funding adjustments to TK-12 federal education programs, including Title I and the Individuals with Disabilities Education Act. However, the bill allocates \$100 million to the OMB to conduct reviews across the executive branch aimed at identifying "budget and accounting efficiencies."

All of these factors were considered in preparing the Fontana Unified School District budget for the 2025-26 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FONTANA UNIFIED SCHOOL DISTRICT*Statement of Net Position**June 30, 2025*

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 834,297,612
Accounts receivable	33,423,692
Inventories	570,370
Prepaid expenses	3,388,377
Capital assets:	
Non-depreciable assets	142,850,687
Depreciable assets	943,445,349
Less accumulated depreciation	(484,566,887)
Lease assets	2,262,499
Less accumulated amortization	(452,500)
Subscription assets	1,621,069
Less accumulated amortization	(540,365)
Total assets	<u>1,476,299,903</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	10,618,791
Deferred outflows from OPEB	22,606,772
Deferred outflows from pensions	<u>171,123,495</u>
Total deferred outflows of resources	<u>204,349,058</u>
LIABILITIES	
Accounts payable	110,224,660
Accrued interest payable	2,907,417
Unearned revenue	2,709,666
Noncurrent liabilities:	
Due or payable within one year	11,059,912
Due in more than one year:	
Other than OPEB and pensions	466,936,883
Net OPEB liability	95,455,012
Net pension liability	<u>416,895,657</u>
Total liabilities	<u>1,106,189,207</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	40,755,991
Deferred inflows from pensions	<u>83,035,767</u>
Total deferred inflows of resources	<u>123,791,758</u>
NET POSITION	
Net investment in capital assets	404,351,931
Restricted for:	
Capital projects	102,921,461
Debt service	22,881,792
Educational programs	178,255,327
Student activities	2,640,732
Self-insurance	13,892,461
Unrestricted	<u>(274,275,708)</u>
Total Net Position	<u>\$ 450,667,996</u>

FONTANA UNIFIED SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2025

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:	\$ 410,419,531	\$ 2,369,353	\$ 108,453,791	\$ 944,820	\$ (298,651,567)
Instruction					
Instruction-Related Services:					
Supervision of instruction	39,054,331	930,595	15,008,078	-	(23,115,658)
Instructional library, media and technology	1,371,020	-	(192,463)	-	(1,563,483)
School site administration	36,697,013	631,429	668,700	-	(35,396,884)
Pupil Support Services:					
Home-to-school transportation	11,482,647	-	182,193	-	(11,300,454)
Food services	29,111,213	19,868	33,253,543	-	4,162,198
All other pupil services	41,086,213	193,662	4,983,325	-	(35,909,226)
General Administration Services:					
Data processing services	11,582,909	-	(21,148)	-	(11,604,057)
Other general administration	22,229,578	149,814	3,652,518	-	(18,427,246)
Plant services	72,268,765	157,350	2,165,856	-	(69,945,559)
Ancillary services	4,449,198	277,983	4,544,681	-	373,466
Community services	12,180	-	-	-	(12,180)
Enterprise activities	117,871	-	-	-	(117,871)
Interest on long-term debt	9,996,632	-	-	-	(9,996,632)
Other outgo	136,398	6,880,022	31,941,480	-	38,685,104
Depreciation (unallocated)	22,766,151	-	-	-	(22,766,151)
Amortization (unallocated)	1,096,837	-	-	-	(1,096,837)
Total Governmental Activities	<u>\$ 713,878,487</u>	<u>\$ 11,610,076</u>	<u>\$ 204,640,554</u>	<u>\$ 944,820</u>	<u>(496,683,037)</u>
General Revenues:					
Property taxes					105,001,065
Federal and state aid not restricted to specific purpose					427,339,755
Interest and investment earnings					29,176,839
Miscellaneous					<u>11,733,200</u>
Total general revenues					<u>573,250,859</u>
Change in net position					76,567,822
Net position - July 1, 2024, as originally stated					392,406,771
Adjustment for restatements (Note 13)					<u>(18,306,597)</u>
Net position - July 1, 2024, as restated					<u>374,100,174</u>
Net position - June 30, 2025					<u>\$ 450,667,996</u>

FONTANA UNIFIED SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2025*

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 418,603,598	\$ 172,689,167	\$ 224,032,412	\$ 815,325,177
Accounts receivable	21,536,781	525,094	10,861,042	32,922,917
Due from other funds	5,126,571	-	6,663,848	11,790,419
Inventories	274,976	-	295,394	570,370
Prepaid expenditures	3,362,238	-	26,139	3,388,377
Total Assets	<u>\$ 448,904,164</u>	<u>\$ 173,214,261</u>	<u>\$ 241,878,835</u>	<u>\$ 863,997,260</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 92,604,836	\$ 1,613,363	\$ 15,854,159	\$ 110,072,358
Due to other funds	10,905,822	-	5,185,870	16,091,692
Unearned revenue	2,274,020	-	435,646	2,709,666
Total Liabilities	<u>105,784,678</u>	<u>1,613,363</u>	<u>21,475,675</u>	<u>128,873,716</u>
Fund Balances				
Nonspendable	3,837,214	-	342,033	4,179,247
Restricted	126,221,095	171,600,898	218,685,429	516,507,422
Committed	79,573,844	-	-	79,573,844
Assigned	104,237,115	-	1,375,698	105,612,813
Unassigned	29,250,218	-	-	29,250,218
Total Fund Balances	<u>343,119,486</u>	<u>171,600,898</u>	<u>220,403,160</u>	<u>735,123,544</u>
Total Liabilities and Fund Balances	<u>\$ 448,904,164</u>	<u>\$ 173,214,261</u>	<u>\$ 241,878,835</u>	<u>\$ 863,997,260</u>

FONTANA UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2025

Total Fund Balances - Governmental Funds \$ 735,123,544

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	1,086,296,036	
Accumulated depreciation	(484,566,887)	
Lease and subscription assets at historical cost	2,262,499	
Accumulated amortization	(452,500)	
Subscription assets at historical cost	1,621,069	
Accumulated amortization	(540,365)	
Net:		604,619,852

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:

10,618,791

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

(2,907,417)

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	422,305,813	
Certificates of participation	17,548,934	
Subscription based IT arrangements	1,094,696	
Lease liability	1,811,807	
Compensated absences	25,505,825	
Other postemployment benefits	95,455,012	
Net pension liability	416,895,657	
Total:		(980,617,744)

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	193,730,267	
Deferred inflows of resources	(123,791,758)	
Net:		69,938,509

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:

13,892,461

Total Net Position - Governmental Activities \$ 450,667,996

FONTANA UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2025

	General Fund	Formerly Major Fund Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 494,537,434		\$ -	\$ -	\$ 494,537,434
Federal sources	56,650,816		-	23,098,690	79,749,506
Other state sources	123,976,309		-	26,242,992	150,219,301
Other local sources	37,191,955		3,410,056	59,289,598	99,891,609
Total Revenues	712,356,514		3,410,056	108,631,280	824,397,850
EXPENDITURES					
Current:					
Instruction	448,379,653		-	9,946,094	458,325,747
Instruction-related services:					
Supervision of instruction	40,221,363		-	3,185,152	43,406,515
Instructional library, media and technology	848,632		-	-	848,632
School site administration	39,950,430		-	573,241	40,523,671
Pupil support services:					
Home-to-school transportation	11,506,992		-	-	11,506,992
Food services	1,390,247		-	27,759,184	29,149,431
All other pupil services	43,929,285		-	543,887	44,473,172
Ancillary services	121,018		-	4,328,180	4,449,198
Community services	12,260		-	-	12,260
Enterprise activities	31,830		-	-	31,830
General administration services:					
Data processing services	13,232,098		-	-	13,232,098
Other general administration	23,691,929		-	-	23,691,929
Plant services	63,723,837		388,585	8,651,418	72,763,840
Transfers of indirect costs	(1,079,444)		-	1,079,444	-
Intergovernmental	126,023		-	-	126,023
Capital outlay	20,481,400		10,629,393	65,802,205	96,912,998
Debt service:					
Issuance costs	-		334,000	484,869	818,869
Principal	1,081,375		-	7,785,000	8,866,375
Interest	32,133		-	7,266,999	7,299,132
Total Expenditures	707,681,061		11,351,978	137,405,673	856,438,712
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	4,675,453		(7,941,922)	(28,774,393)	(32,040,862)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-		-	20,457,957	20,457,957
Interfund transfers out	(19,802,572)		-	(655,385)	(20,457,957)
Premium on general obligation bonds	-		-	8,262,798	8,262,798
Issuance of debt - general obligation bonds	-		136,000,000	-	136,000,000
Proceeds from leases	2,262,499		-	-	2,262,499
Proceeds from subscriptions	1,621,096		-	-	1,621,096
Total Other Financing Sources and Uses	(15,918,977)		136,000,000	28,065,370	148,146,393
Net Change in Fund Balances	(11,243,524)		128,058,078	(709,023)	116,105,531
Fund Balances, July 1, 2024, as originally stated	354,363,010	37,503,637	-	227,151,366	619,018,013
Change within reporting entity (change between major and non major-funds)	-	(37,503,637)	43,542,820	(6,039,183)	-
Fund Balances, July 1, 2024, as restated	354,363,010	-	43,542,820	221,112,183	619,018,013
Fund Balances, June 30, 2025	\$ 343,119,486		\$ 171,600,898	\$ 220,403,160	\$ 735,123,544

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, 2025

Total Net Change in Fund Balances - Governmental Funds \$ 116,105,531

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	97,356,487	
Depreciation expense	(22,766,151)	
Expenditures for leases and subscriptions	3,883,568	
Amortization expense	<u>(1,096,837)</u>	
Net:		77,377,067

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:

(559,704)

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

8,866,375

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(148,146,393)

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:

1,209,175

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:

(2,222,101)

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:

137,914

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:

(2,934,164)

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:

21,558,047

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:

4,530,450

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

1,691,751

Change in Net Position of Governmental Activities

\$ 76,567,822

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2025

	Governmental Activities Internal Service Fund
ASSETS	
Deposits and investments	\$ 18,972,435
Accounts receivable	500,775
Due from other funds	<u>4,523,864</u>
Total assets	<u>23,997,074</u>
LIABILITIES	
Current liabilities:	
Accounts payable	152,302
Due to other funds	222,591
Long-term liabilities:	
Estimated liability for open claims and IBNR	<u>9,729,720</u>
Total liabilities	<u>10,104,613</u>
NET POSITION	
Restricted	<u><u>\$ 13,892,461</u></u>

FONTANA UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2025*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	\$ 4,527,966
Other local revenues	<u>81,966</u>
Total operating revenues	<u>4,609,932</u>
OPERATING EXPENSES	
Payments for personnel costs	518,193
Payments for claims and other operating expenses	<u>3,402,330</u>
Total operating expenses	<u>3,920,523</u>
OPERATING INCOME (LOSS)	689,409
NON-OPERATING REVENUES	
Fair market value adjustment	192,615
Interest income	<u>809,727</u>
Total non-operating expenses	<u>1,002,342</u>
Change in net position	1,691,751
Net position, July 1, 2024	<u>12,200,710</u>
Net position, June 30, 2025	<u><u>\$ 13,892,461</u></u>

FONTANA UNIFIED SCHOOL DISTRICT*Statement of Cash Flows – Proprietary Fund**For the Fiscal Year Ended June 30, 2025*

	Governmental Activities
	Internal Service Fund
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Received from in-district premiums	\$ 4,162,688
Payments to employees and fringe benefits	(369,446)
Payments to vendors and suppliers	(760,060)
Payments on insurance claims	(2,655,462)
Other receipts (payments)	211,690
Net cash provided (used) by operating activities	589,410
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Investment income	954,105
Net increase (decrease) in cash and cash equivalents	1,543,515
Cash and cash equivalents, July 1, 2024	17,428,920
Cash and cash equivalents, June 30, 2025	\$ 18,972,435
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	\$ 689,409
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Receivables, net	129,724
Due from other funds	(365,278)
Estimated liability for open claims and IBNR	746,868
Accounts payable and accrued liabilities	(760,060)
Due to other funds	148,747
Net cash provided (used) by operating activities	\$ 589,410

FONTANA UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2025*

	Trust Funds		Total
	Retiree Benefits Fund	Pension Trust Fund	
ASSETS			
Deposits and investments	\$ 117,965,798	\$ 38,003,746	\$ 155,969,544
Accounts receivable	3,552,591	-	3,552,591
Total assets	121,518,389	38,003,746	159,522,135
LIABILITIES			
Accounts payable	-	-	-
NET POSITION			
Restricted for postemployment benefits	<u>\$ 121,518,389</u>	<u>\$ 38,003,746</u>	<u>\$ 159,522,135</u>

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2025

	Trust Funds		
	Retiree Benefits Fund	Pension Trust Fund	Totals
ADDITIONS			
Interest	\$ 4,703,034	\$ -	\$ 4,703,034
Increase in fair value of investments	7,073,343	3,969,944	11,043,287
In-district contributions	3,552,513	-	3,552,513
Total Additions	15,328,890	3,969,944	19,298,834
DEDUCTIONS			
Operating expenses	438,979	92,131	531,110
Total Deductions	438,979	92,131	531,110
Change in net position	14,889,911	3,877,813	18,767,724
Net position - July 1, 2024	106,628,478	34,125,933	140,754,411
Net position - June 30, 2025	<u>\$ 121,518,389</u>	<u>\$ 38,003,746</u>	<u>\$ 159,522,135</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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, 2025

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.

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

Non-Major Governmental Funds

The District reports the following non-major governmental funds:

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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.

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).

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

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

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

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

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

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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, 2025

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. 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.

D. 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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Compensated Absences

The District has implemented GASB Statement No. 101, *Compensated Absences*. A liability is reported for unused vacation leave. Although sick leave is not paid out upon separation, a liability is recorded for the portion of sick leave that is more likely than not to be used for paid time off. The liability is measured using current pay rates and includes applicable salary-related costs.

7. Leases

Lessee:

The District recognizes a lease liability and an intangible right-to-use leased asset in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the lease term or useful life of the underlying assets.

Lessor:

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. 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.

8. Subscription-Based Information Technology Arrangements

The District recognizes a subscription liability and an intangible right-to-use subscriptions IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the lease liability, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset. The amortization period varies from 2 to 4 years.

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, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Net Position (continued)

- **Net investment in capital assets (continued)** - 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.

E. 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, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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.

G. 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.

H. Change in Accounting Principle

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard requires the recognition of accrued compensated absences as a liability in the financial statements. The implementation resulted in a cumulative effect adjustment to beginning net position to reflect the recognition of accumulated leave liabilities previously unrecorded. The impact on the District's beginning net position was a decrease of \$18,306,597.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2025 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 815,325,177
Proprietary funds	18,972,435
Governmental Activities	834,297,612
Fiduciary funds	155,969,544
Total Deposits and Investments	<u>\$ 990,267,156</u>

Deposits and investments as of June 30, 2025 consist of the following:

Cash on hand and in banks	\$ 2,496,027
Cash in revolving fund	370,500
Cash collections awaiting deposit	3,944,918
Investments	983,455,711
Total Deposits and Investments	<u>\$ 990,267,156</u>

Investment security ratings reported as of June 30, 2025, are defined by Morningstar or Standard and Poors.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Pooled Funds

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

Custodial Credit Risk – Deposits

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

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

As of June 30, 2025, \$2,397,789 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments - Interest Rate Risk

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

Maturities of investments held at June 30, 2025, 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	\$ 817,110,129	\$ 817,110,129	\$ -	uncategorized	N/A
US Bank Money Market	10,397,731	10,397,731	-	Level 2	N/A
Benefit Trust Company:					
Fixed Income	58,769,651	58,769,651	-	Level 2	N/A
Domestic Equities	43,907,182	43,907,182	-	Level 2	N/A
International Equities	9,481,867	9,481,867	-	Level 2	N/A
Real Estate	5,785,405	5,785,405	-	Level 2	N/A
Public Agency Retirement System:					
Vanguard Conservative Fund	18,744,456	18,744,456	-	Level 2	N/A
Vanguard Balanced Fund	19,259,290	19,259,290	-	Level 2	N/A
Total	<u>\$ 983,455,711</u>	<u>\$ 983,455,711</u>	<u>\$ -</u>		

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2025, 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, 2025, the District had the following investment that represented more than five percent of the District's net investments (excluding cash in county):

US Bank Money Market	6.3%
Benefit Trust Company:	
Fixed Income	35.3%
Domestic Equities	26.4%
Public Agency Retirement System:	
Vanguard Conservative Fund	11.3%
Vanguard Balanced Fund	11.6%

Fair Value Measurements

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

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

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

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

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2025, consisted of the following:

	Governmental Funds				Proprietary Fund	Fiduciary Fund
	General Fund	Building Fund	Non-Major Governmental Funds	Totals	Self-Insurance Fund	Retiree Benefit Fund
Federal Government:						
Categorical aid programs	\$ 3,782,056	\$ -	\$ 2,554,866	\$ 6,336,922	\$ -	\$ -
State Government:						
Lottery	2,383,506	-	-	2,383,506	-	-
Special education	2,970,916	-	-	2,970,916	-	-
Categorical aid programs	5,230,388	-	4,897,849	10,128,237	-	-
Local:						
Interest	4,590,571	523,463	2,130,652	7,244,686	227,568	77
Other local resources	2,579,344	1,631	1,277,675	3,858,650	273,207	3,552,514
Total	<u>\$ 21,536,781</u>	<u>\$ 525,094</u>	<u>\$ 10,861,042</u>	<u>\$ 32,922,917</u>	<u>\$ 500,775</u>	<u>\$ 3,552,591</u>

NOTE 4 – INTERFUND TRANSACTIONS

Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2025, consisted of the following:

	Due From Other Funds				
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Total
General Fund	\$ -	\$ 6,604,797	\$ 6,604,797	\$ 4,301,025	\$ 10,905,822
Non-Major Governmental Funds	4,931,105	31,926	4,963,031	222,839	5,185,870
Self-Insurance Fund	195,466	27,125	222,591	-	222,591
Total	<u>\$ 5,126,571</u>	<u>\$ 6,663,848</u>	<u>\$ 11,790,419</u>	<u>\$ 4,523,864</u>	<u>\$ 16,314,283</u>

General Fund due to Adult Education Fund for cost reimbursement	\$ 821
General Fund due to Child Development Fund for a contribution to cover deficit	89,610
General Fund due to Cafeteria Fund for catering charges, salary costs, and bad debt	9,158
General Fund due to Special Reserve Fund for Capital Outlay Projects to move project costs	110,565
General Fund due to Special Reserve Fund for Capital Outlay Projects to move ELOP charges	6,394,643
General Fund due to Self-Insurance Fund for district premiums and contributions	4,301,025
Adult Education Fund due to General Fund for indirect costs, printing, and benefits	196,955
Adult Education Fund due to Self-Insurance Fund for workers compensation	24,790
Child Development Fund due to General Fund for printing, indirect costs, and suspense account transfer	1,504,388
Child Development Fund due to Cafeteria Fund for early education	200
Child Development Fund due to Self-Insurance Fund for workers compensation	78,613
Cafeteria Fund due to General Fund for fuel charges, indirect costs, and suspense account transfer	2,574,895
Cafeteria Fund due to Special Reserve Fund for Capital Outlay Projects for project costs	31,726
Cafeteria Fund due to Self-Insurance Fund for workers compensation	119,436
Capital Facilities Fund due to General Fund for 3% of developer fees	221,156
Special Reserve Fund for Capital Outlay Projects due to General Fund to move project costs	433,711
Self-Insurance Fund due to General Fund for workers compensation	195,466
Self-Insurance Fund due to Adult Education Fund for workers compensation	13,688
Self-Insurance Fund due to Cafeteria Fund for workers compensation	13,437
Total	<u>\$ 16,314,283</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 4 – INTERFUND TRANSACTIONS (continued)

Interfund Transfers

General Fund transfer to Child Development Fund for a contribution to cover operating deficit	\$ 89,610
General Fund transfer to Special Reserve Fund for Capital Outlay Projects Fund for HVAC project	19,712,962
County School Facilities Fund transfer to Special Reserve Fund for Capital Outlay Projects Fund to reimburse for previously incurred school facility costs	655,385
Total	<u>\$ 20,457,957</u>

NOTE 5 – FUND BALANCES

At June 30, 2025, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 200,000	\$ -	\$ 20,500	\$ 220,500
Inventories	274,976	-	295,394	570,370
Prepaid expenditures	3,362,238	-	26,139	3,388,377
Total Nonspendable	<u>3,837,214</u>	<u>-</u>	<u>342,033</u>	<u>4,179,247</u>
Restricted:				
Categorical programs	126,221,095	-	-	126,221,095
Student activities	-	-	2,485,832	2,485,832
Adult education program	-	-	1,728,772	1,728,772
Child development program	-	-	6,951,367	6,951,367
Food service program	-	-	43,166,960	43,166,960
Capital projects	-	171,600,898	141,470,706	313,071,604
Debt service	-	-	22,881,792	22,881,792
Total Restricted	<u>126,221,095</u>	<u>171,600,898</u>	<u>218,685,429</u>	<u>516,507,422</u>
Committed:				
Reserve for loss of federal funding	73,450,000	-	-	73,450,000
AB218 actuarial projections	5,000,000	-	-	5,000,000
Carryover	1,123,844	-	-	1,123,844
Total Committed	<u>79,573,844</u>	<u>-</u>	<u>-</u>	<u>79,573,844</u>
Assigned:				
Other assignments	104,237,115	-	1,375,698	105,612,813
Total Assigned	<u>104,237,115</u>	<u>-</u>	<u>1,375,698</u>	<u>105,612,813</u>
Unassigned:				
Reserve for economic uncertainties	29,250,218	-	-	29,250,218
Total Unassigned	<u>29,250,218</u>	<u>-</u>	<u>-</u>	<u>29,250,218</u>
Total	<u>\$ 343,119,486</u>	<u>\$ 171,600,898</u>	<u>\$ 220,403,160</u>	<u>\$ 735,123,544</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance, July 1, 2024	Additions	Retirements	Balance, June 30, 2025
Capital assets not being depreciated:				
Land	\$ 59,340,012	\$ -	\$ -	\$ 59,340,012
Construction in progress	46,492,950	64,562,460	27,544,735	83,510,675
Total capital assets not being depreciated	105,832,962	64,562,460	27,544,735	142,850,687
Capital assets being depreciated:				
Improvement of sites	92,047,652	8,856,386	-	100,904,038
Buildings	697,234,507	29,150,963	-	726,385,470
Equipment	94,612,520	22,331,413	788,092	116,155,841
Total capital assets being depreciated	883,894,679	60,338,762	788,092	943,445,349
Accumulated depreciation for:				
Improvement of sites	(62,012,433)	(3,226,160)	-	(65,238,593)
Buildings	(333,304,901)	(15,641,567)	-	(348,946,468)
Equipment	(66,711,790)	(3,898,424)	(228,388)	(70,381,826)
Total accumulated depreciation	(462,029,124)	(22,766,151)	(228,388)	(484,566,887)
Total capital assets being depreciated, net	421,865,555	37,572,611	559,704	458,878,462
Leased Assets				
Building leases	727,807	2,262,499	727,807	2,262,499
Accumulated amortization for:				
Building leases	(623,835)	(556,472)	(727,807)	(452,500)
Total leased assets, net	103,972	1,706,027	-	1,809,999
Subscription Assets				
IT subscriptions	-	1,621,069	-	1,621,069
Accumulated amortization for:				
IT subscriptions	-	(540,365)	-	(540,365)
Total subscription assets, net	-	1,080,704	-	1,080,704
Governmental Activity Capital Assets, Net	\$ 527,802,489	\$ 104,921,802	\$ 28,104,439	\$ 604,619,852

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

Changes in long-term debt for the year ended June 30, 2025, were as follows:

	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 259,324,839	\$ 136,000,000	\$ 5,990,000	\$ 389,334,839	\$ 6,865,000
Accreted interest component	16,595,791	2,222,101	-	18,817,892	-
Unamortized issuance premium	6,899,290	8,262,798	1,009,006	14,153,082	1,167,906
Total - Bonds	282,819,920	146,484,899	6,999,006	422,305,813	8,032,906
Certificates of Participation:					
Principal repayments	17,145,000	-	1,795,000	15,350,000	1,835,000
Unamortized issuance premium	2,399,103	-	200,169	2,198,934	200,168
Total - Certificates of Participation	19,544,103	-	1,995,169	17,548,934	2,035,168
Leases	104,283	2,262,499	554,975	1,811,807	451,594
Subscription-based IT arrangements	-	1,621,096	526,400	1,094,696	540,244
Compensated absences					
Vacation liability	4,265,064	883,763	-	5,148,827	-
Sick time*	18,306,597	2,050,401	-	20,356,998	-
Claims liability	8,982,852	746,868	-	9,729,720	-
Totals	\$ 334,022,819	\$ 154,049,526	\$ 10,075,550	\$ 477,996,795	\$ 11,059,912

*As restated for implementation of GASB 101

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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. Additions and deductions for compensated absences are reported net of their cumulative change in the current year.

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, 2025, 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.

Election of 2024

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.

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, 2025, 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, 2025, of \$9,726,127 remain to be amortized.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

A. General Obligation Bonds (continued)

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025
Refunding Bonds								
2014R	5/22/2014	8/1/2031	2.25%-5.0%	12,975,000	\$ 2,030,000	\$ -	\$ 185,000	\$ 1,845,000
2016R	6/1/2016	8/1/2029	2.0%-5.0%	49,910,000	31,075,000	-	4,925,000	26,150,000
2020R	7/15/2020	8/1/2044	0.66%-2.90%	158,315,000	152,920,000	-	880,000	152,040,000
				Subtotal Refunding Bonds	186,025,000	-	5,990,000	180,035,000
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
Measure I (2024)								
Series A	6/24/2025	8/1/2050	5.00-5.25%	136,000,000	-	136,000,000	-	136,000,000
				Subtotal Measure I	-	136,000,000	-	136,000,000
				Total	\$ 259,324,839	\$ 136,000,000	\$ 5,990,000	\$ 389,334,839
Accreted Interest								
				Series	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025
				2006B	\$ 16,595,791	\$ 2,222,101	\$ -	\$ 18,817,892

The annual requirements to amortize general obligation bonds outstanding at June 30, 2025, are as follows:

Fiscal Year	Principal	Interest	Total
2025-2026	\$ 6,865,000	\$ 10,187,178	\$ 17,052,178
2026-2027	18,850,000	13,062,582	31,912,582
2027-2028	18,275,000	11,940,556	30,215,556
2028-2029	11,890,000	11,467,898	23,357,898
2029-2030	6,705,305	17,682,322	24,387,627
2030-2035	42,729,534	89,813,776	132,543,310
2035-2040	106,730,000	43,199,826	149,929,826
2040-2045	116,560,000	24,904,564	141,464,564
2045-2050	48,080,000	10,109,601	58,189,601
2050-2051	12,650,000	332,062	12,982,062
Total	\$ 389,334,839	\$ 232,700,365	\$ 622,035,204

B. Certificates of Participation

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

2016 Refunding Certificates of Participation

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

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2025*

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)**B. Certificates of Participation (continued)****2016 Refunding Certificates of Participation (continued)**

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2025, of \$892,664 remain to be amortized for this refunding. As of June 30, 2025, the principal balance outstanding on the defeased debt has been paid in full.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
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
2029-2030	1,485,000	256,800	1,741,800
2030-2035	5,535,000	605,700	6,140,700
2035-2036	950,000	14,250	964,250
Total	<u>\$ 15,350,000</u>	<u>\$ 2,604,150</u>	<u>\$ 17,954,150</u>

C. Leases

The District is involved in several leases for 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.D.7. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest	Total
2025-2026	\$ 451,594	\$ 3,134	\$ 454,728
2026-2027	452,498	2,230	454,728
2027-2028	453,404	1,324	454,728
2028-2029	454,311	417	454,728
Total	<u>\$ 1,811,807</u>	<u>\$ 7,105</u>	<u>\$ 1,818,912</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

D. Subscription Based IT Arrangements

The District was involved in arrangements for subscription based software. The initial term for these subscriptions was 36 months. There were no variable payments not included in the measurement of the liability, no residual value guarantees provided and no commitments before the commencement of the 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.D.8. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest	Total
2025-2026	\$ 540,244	\$ 14,208	\$ 554,452
2026-2027	554,452	-	554,452
Total	<u>\$ 1,094,696</u>	<u>\$ 14,208</u>	<u>\$ 1,108,904</u>

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For the fiscal year ended June 30, 2025, 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	\$ 94,003,734	\$ 22,606,772	\$ 40,755,991	\$ 9,267,057
MPP Program	1,451,278	-	-	(334,454)
Total	<u>\$ 95,455,012</u>	<u>\$ 22,606,772</u>	<u>\$ 40,755,991</u>	<u>\$ 8,932,603</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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

District Plan (continued)

Plan Description (continued)

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

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

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	801
Active employees	3,226
Total	4,027

Contributions

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

District Plan (continued)

Net OPEB Liability

The District's net OPEB liability is reported as of June 30, 2025 for the employer fiscal year and reporting period of July 1, 2024 to June 30, 2025. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2025 and are based on a valuation as of June 30, 2025.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2025 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, 2025
Valuation interest rate	5.55 percent
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

Mortality Rates

Mortality rates are based on:

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

Long-Term Expected Rate of Return on OPEB Plan Investments

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

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

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.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

District Plan (continued)

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary* Net Position	Net OPEB Liability
Balance at July 1, 2024	\$ 190,493,584	\$ 101,857,499	\$ 88,636,085
Changes for the year:			
Service cost	6,617,417	-	6,617,417
Interest/Return	10,514,226	11,776,090	(1,261,864)
Administrative expenses	-	(438,980)	438,980
Differences between expected and actual experience	13,036,169	-	13,036,169
Employer Contributions	-	13,463,053	(13,463,053)
Benefit payments	(8,713,558)	(8,713,558)	-
Net changes	21,454,254	16,086,605	5,367,649
Balance at June 30, 2025	\$ 211,947,838	\$ 117,944,104	\$ 94,003,734

*Fiduciary Net Position does not include \$3,552,591 in contributions receivable or \$21,694 cash held in the County Treasury that is recorded in these financial statements as of June 30, 2025.

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	\$ 122,071,480
Current discount rate	\$ 94,003,734
1% increase	\$ 70,556,430

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	\$ 65,124,119
Current trend rate	\$ 94,003,734
1% increase	\$ 130,109,307

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

District Plan (continued)

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$9,267,057. In addition, at June 30, 2025, 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	\$ 11,872,225	\$ 35,607,515
Changes of assumptions	10,734,547	-
Net difference between projected and actual earnings on OPEB plan investments	-	5,148,476
Total	<u>\$ 22,606,772</u>	<u>\$ 40,755,991</u>

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 2,890,660	\$ 3,285,127
2027	2,890,660	7,245,620
2028	2,890,660	6,883,218
2029	2,890,660	5,689,395
2030	2,890,660	4,488,721
Thereafter	<u>8,153,472</u>	<u>13,163,910</u>
Totals	<u>\$ 22,606,772</u>	<u>\$ 40,755,991</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, 2023 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided

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

As of June 30, 2024, 4,121 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

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

Total OPEB Liability

At June 30, 2025, the District reported a liability of \$1,451,278 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, 2024, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net OPEB Liability	0.544472%	0.588502%	-0.044030%

For the year ended June 30, 2025, the District reported OPEB expense of \$(334,454).

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023 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, 2024
Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return	3.93%
Healthcare Cost Trend Rates	5.0% for Medicare Part A, and 6.5% 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 154 or an average of 0.12% of the potentially eligible population of 132,333.

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

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, 2024, 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, 2024, 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, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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

Medicare Premium Payment (MPP) Program (continued)

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

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 1,565,895
Current discount rate	\$ 1,451,278
1% increase	\$ 1,350,496

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	\$ 1,344,453
Current trend rate	\$ 1,451,278
1% increase	\$ 1,570,545

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, 2025, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 250,673,567	\$ 100,422,139	\$ 49,550,349	\$ 15,038,096
CalPERS	166,222,090	70,701,356	33,485,418	28,913,115
Total	<u>\$ 416,895,657</u>	<u>\$ 171,123,495</u>	<u>\$ 83,035,767</u>	<u>\$ 43,951,211</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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

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

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

Contributions

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

The contribution rates for each program for the year ended June 30, 2025, are presented above, and the District's total contributions were \$48,756,686.

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

At June 30, 2025, 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	\$	250,673,567
State's proportionate share of the net pension liability associated with the District		<u>115,009,895</u>
Total	\$	<u><u>365,683,462</u></u>

The net pension liability was measured as of June 30, 2024. 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	Fiscal Year Ending	
	June 30, 2025	June 30, 2024	
Measurement Date	<u>June 30, 2024</u>	<u>June 30, 2023</u>	
Proportion of the Net Pension Liability	0.373232%	0.397871%	-0.024639%

For the year ended June 30, 2025, the District recognized pension expense of \$15,038,096. In addition, the District recognized pension expense and revenue of \$(10,988,584) for support provided by the State.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2025*

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)**

At June 30, 2025, 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	\$ 48,756,686	\$ -
Net change in proportionate share of net pension liability	22,213,744	20,456,943
Difference between projected and actual earnings on pension plan investments	-	1,011,458
Changes of assumptions	1,097,301	17,120,135
Differences between expected and actual experience	28,354,408	10,961,813
Total	<u>\$ 100,422,139</u>	<u>\$ 49,550,349</u>

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 5,418,793	\$ 20,923,991
2027	25,977,580	4,113,638
2028	4,597,247	6,311,972
2029	6,030,929	7,454,061
2030	6,911,756	4,074,480
Thereafter	2,729,148	6,672,207
Total	<u>\$ 51,665,453</u>	<u>\$ 49,550,349</u>

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2024, include:

Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality amongst our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

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 are developed for each major asset class/strategy. Expected real rates of return are net of the 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2024 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. The assumed asset allocation and best estimates of the expected rates of return for each major asset class/strategy as of June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return
Public Equity	38.0%	8.00%	5.25%
Real Estate	15.0%	6.80%	4.05%
Private Equity	14.0%	9.50%	6.75%
Fixed Income	14.0%	5.20%	2.45%
Risk Mitigating Strategies	10.0%	5.00%	2.25%
Inflation Sensitive	7.0%	6.40%	3.65%
Cash/Liquidity	2.0%	2.80%	0.05%

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

Discount Rate

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

The following presents 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%)	\$ 445,866,251
Current discount rate (7.10%)	\$ 250,673,567
1% increase (8.10%)	\$ 87,679,577

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 \$23,222,918.

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, 2023, 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>.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

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	27.05%	27.05%

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.

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2025*

NOTE 9 – PENSION PLANS (continued)**B. California Public Employees Retirement System (CalPERS) (continued)****Benefits Provided (continued)**

The Plans' provisions and benefits in effect at June 30, 2024, 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, 2025, are presented above, and the total District contributions were \$27,412,579.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$166,222,090. The net pension liability was measured as of June 30, 2024. 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, 2025	Fiscal Year Ending June 30, 2024	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.4559964%	0.4910824%	-0.0350860%

FONTANA UNIFIED SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2025***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)**

	<u>Percentage Share of Safety Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2025</u>	<u>Fiscal Year Ending June 30, 2024</u>	
Measurement Date	<u>June 30, 2024</u>	<u>June 30, 2023</u>	
Proportion of the Total Pension Liability	0.048322%	0.046843%	0.001479%
Proportion of the Fiduciary Net Position	0.049443%	0.047713%	0.001731%

For the year ended June 30, 2025, the District recognized pension expense of \$28,913,115. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 27,412,579	\$ -
Net change in proportionate share of net pension liability	729,501	13,889,985
Difference between projected and actual earnings on pension plan investments	24,920,372	18,419,731
Changes of assumptions	3,688,936	-
Differences between expected and actual experience	13,949,968	1,175,702
Total	<u>\$ 70,701,356</u>	<u>\$ 33,485,418</u>

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

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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
2026	\$ 21,923,230	\$ 17,615,766
2027	17,678,173	5,798,462
2028	3,675,270	5,589,005
2029	12,104	4,482,185
2030	-	-
Thereafter	-	-
Total	<u>\$ 43,288,777</u>	<u>\$ 33,485,418</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, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2023
Experience Study	2000-2019
Actuarial Cost Method	Individual 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 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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%)	\$ 242,089,809
Current discount rate (6.9%)	\$ 166,222,090
1% increase (7.9%)	\$ 97,606,454

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 Social Security as its alternative plan.

D. Payables to the Pension Plans

At June 30, 2025, the District reported payables of \$4,271,890 and \$254,225 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2025.

FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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, 2025, the District had commitments with respect to unfinished capital projects of approximately \$83.8 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, 2025.

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, 2025, 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 2024-25, 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, 2025

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, 2023, to June 30, 2025:

	Workers' Compensation
Liability Balance, July 1, 2023	\$ 7,785,398
Claims and changes in estimates	(2,286,107)
Claims payments	3,483,561
Liability Balance, June 30, 2024	8,982,852
Claims and changes in estimates	(1,004,370)
Claims payments	1,751,238
Liability Balance, June 30, 2025	<u>\$ 9,729,720</u>
Assets available to pay claims at June 30, 2025	<u>\$ 23,997,074</u>

NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The District has implemented the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, prior year liabilities on the Statement of Net Position were restated to adopt this standard.

	Statement of Activities
Net position - July 1, 2024, as originally stated	\$ 392,406,771
Implementation of GASB 101	(18,306,597)
Net position - July 1, 2024, as restated	<u>\$ 374,100,174</u>

Required Supplementary Information

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FONTANA UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF sources	\$ 490,348,732	\$ 494,202,530	\$ 494,537,434	\$ 334,904
Federal sources	60,299,348	56,565,504	56,650,816	85,312
Other state sources	121,660,027	126,172,760	123,976,309	(2,196,451)
Other local sources	11,090,074	28,483,129	36,401,597	7,918,468
Total Revenues	683,398,181	705,423,923	711,566,156	6,142,233
Expenditures				
Current:				
Certificated salaries	266,197,387	259,488,142	262,825,935	(3,337,793)
Classified salaries	91,995,368	94,916,290	95,017,863	(101,573)
Employee benefits	200,859,716	198,047,883	197,430,478	617,405
Books and supplies	30,590,795	27,696,484	25,109,565	2,586,919
Services and other operating expenditures	96,547,138	124,346,875	115,421,637	8,925,238
Capital outlay	48,001,053	47,103,956	12,829,004	34,274,952
Other outgo	(824,590)	(979,211)	(953,421)	(25,790)
Total Expenditures	733,366,867	750,620,419	707,681,061	42,939,358
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(49,968,686)	(45,196,496)	3,885,095	49,081,591
Other Financing Sources and Uses				
Proceeds from subscriptions and leases	-	-	3,883,595	3,883,595
Interfund transfers out	(146,656)	(19,859,618)	(19,802,572)	57,046
Total Other Financing Sources and Uses	(146,656)	(19,859,618)	(15,918,977)	3,940,641
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(50,115,342)	(65,056,114)	(12,033,882)	53,022,232
Fund Balances, July 1, 2024	334,014,682	340,871,200	340,871,200	-
Fund Balances, June 30, 2025	<u>\$ 283,899,340</u>	<u>\$ 275,815,086</u>	<u>328,837,318</u>	<u>\$ 53,022,232</u>
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Other than Capital Outlay			<u>14,282,168</u>	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			<u>\$ 343,119,486</u>	

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalSTRS For the Fiscal Year Ended June 30, 2025

	<i>Last Ten Fiscal Years</i>				
Employer Fiscal Year Measurement Period	2024-25 2023-24	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20
District's proportion of the net pension liability	0.3732%	0.3979%	0.3747%	0.3706%	0.3753%
District's proportionate share of the net pension liability	\$ 250,673,567	\$ 303,022,246	\$ 260,363,383	\$ 168,645,710	\$ 363,675,714
State's proportionate share of the net pension liability associated with the District	115,009,895	145,186,479	130,388,965	84,855,980	187,474,874
Totals	<u>\$ 365,683,462</u>	<u>\$ 448,208,725</u>	<u>\$ 390,752,348</u>	<u>\$ 253,501,691</u>	<u>\$ 551,150,588</u>
District's covered-employee payroll	\$ 241,426,883	\$ 237,028,786	\$ 230,950,015	\$ 205,717,848	\$ 203,783,901
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	103.83%	127.84%	112.74%	81.98%	178.46%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Employer Fiscal Year Measurement Period	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15
District's proportion of the net pension liability	0.3722%	0.3583%	0.3523%	0.3630%	0.3620%
District's proportionate share of the net pension liability	\$ 336,178,983	\$ 329,296,551	\$ 325,829,231	\$ 293,598,030	\$ 243,712,880
State's proportionate share of the net pension liability associated with the District	183,408,079	188,537,676	192,757,821	167,164,729	128,896,902
Totals	<u>\$ 519,587,062</u>	<u>\$ 517,834,227</u>	<u>\$ 518,587,052</u>	<u>\$ 460,762,759</u>	<u>\$ 372,609,782</u>
District's covered-employee payroll	\$ 203,382,586	\$ 187,426,292	\$ 193,276,161	\$ 183,389,842	\$ 165,939,764
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.29%	175.69%	168.58%	160.10%	146.87%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability-CalPERS For the Fiscal Year Ended June 30, 2025

	<i>Last Ten Fiscal Years</i>				
Employer Fiscal Year Measurement Period	2024-25 2023-24	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20
District's proportion of the net pension liability	0.4560%	0.4911%	0.5050%	0.5016%	0.5082%
District's proportionate share of the net pension liability	\$ 162,967,654	\$ 177,766,364	\$ 173,781,525	\$ 101,999,796	\$ 158,339,580
District's covered-employee payroll	\$ 92,715,082	\$ 87,627,797	\$ 79,999,616	\$ 84,460,453	\$ 75,365,042
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.77%	202.87%	217.23%	120.77%	210.10%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Employer Fiscal Year Measurement Period	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15
District's proportion of the net pension liability	0.4990%	0.5140%	0.5170%	0.5041%	0.4889%
District's proportionate share of the net pension liability	\$ 147,557,774	\$ 138,962,080	\$ 125,305,087	\$ 101,140,188	\$ 73,312,991
District's covered-employee payroll	\$ 73,988,479	\$ 74,126,166	\$ 69,032,801	\$ 66,132,732	\$ 58,737,694
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.43%	187.47%	181.52%	152.94%	124.81%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2025

	<i>Last Ten Fiscal Years</i>				
Employer Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Contractually required contribution	\$ 48,756,686	\$ 46,112,535	\$ 45,272,498	\$ 39,076,743	\$ 35,177,752
Contributions in relation to the contractually required contribution	48,756,686	46,112,535	45,272,498	39,076,743	35,177,752
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	255,270,606	241,426,883	237,028,786	230,950,015	\$ 230,950,015
Contributions as a percentage of covered-employee payroll	19.10%	19.10%	19.10%	16.92%	16.15%
Employer Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Contractually required contribution	\$ 34,847,047	\$ 33,110,685	\$ 27,045,614	\$ 24,314,141	\$ 19,677,730
Contributions in relation to the contractually required contribution	34,847,047	33,110,685	27,045,614	24,314,141	19,677,730
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 205,717,848	\$ 203,783,901	\$ 187,426,292	\$ 193,276,161	\$ 183,389,842
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Contractually required contribution	\$ 27,412,579	\$ 24,736,384	\$ 22,231,172	\$ 18,327,912	\$ 16,656,446
Contributions in relation to the contractually required contribution	<u>27,412,579</u>	<u>24,736,384</u>	<u>22,231,172</u>	<u>18,327,912</u>	<u>16,656,446</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>101,340,403</u>	<u>92,715,082</u>	<u>87,627,797</u>	<u>79,999,616</u>	<u>\$ 79,999,616</u>
Contributions as a percentage of covered-employee payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>

Employer Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Contractually required contribution	\$ 14,862,740	\$ 13,944,745	\$ 11,638,733	\$ 9,403,240	\$ 7,693,218
Contributions in relation to the contractually required contribution	<u>14,862,740</u>	<u>13,944,745</u>	<u>11,638,733</u>	<u>9,403,240</u>	<u>7,693,218</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 75,365,042</u>	<u>\$ 75,365,042</u>	<u>\$ 74,126,166</u>	<u>\$ 69,032,801</u>	<u>\$ 66,132,732</u>
Contributions as a percentage of covered-employee payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.621%</u>	<u>11.633%</u>

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2025

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*							
	2024-25 2024-25	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	\$ 6,617,417	\$ 6,440,309	\$ 7,417,349	\$ 7,218,831	\$ 7,229,988	\$ 7,036,485	\$ 6,199,168	\$ 6,033,254
Interest/Return	10,514,226	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	13,036,169	(895,810)	5,356,614	-	1,790,631	-	13,515,010	-
Experience gains/losses	-	-	-	-	-	-	(6,250,791)	-
Benefit payments	(8,713,558)	(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	21,454,254	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	190,493,584	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	\$ 211,947,838	\$ 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	\$ 13,463,053	\$ 16,066,028	\$ 17,036,787	\$ 16,032,115	\$ 7,244,683	\$ 15,767,223	\$ 13,765,767	\$ 14,992,254
Net investment income	11,776,090	10,798,723	5,860,435	-	14,316,688	3,268,428	2,748,704	1,871,706
Benefit payments	(8,713,558)	(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	(438,980)	(422,834)	(356,797)	(378,387)	(342,688)	(293,044)	(241,614)	(193,342)
Net change in plan fiduciary net position	16,086,605	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	101,857,499	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	\$ 117,944,104	\$ 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	\$ 94,003,734	\$ 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	55.65%	53.47%	45.48%	34.01%	39.86%	33.08%	29.10%	26.35%
Covered-employee payroll	\$ 286,414,100	\$ 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	32.82%	31.80%	36.66%	50.55%	45.10%	50.84%	52.45%	50.89%

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

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of the OPEB Contributions For the Fiscal Year Ended June 30, 2025

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*							
	2024-25 2024-25	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 ¹	\$ 15,852,313	\$ 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	13,463,053	16,066,028	17,036,787	23,250,946	14,474,671	22,803,708	19,964,935	21,025,508
Contribution deficiency (excess)	\$ 2,389,260	\$ (1,748,306)	\$ (2,429,539)	\$ (5,430,873)	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 286,414,100	\$ 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	4.70%	5.76%	6.28%	8.81%	5.63%	9.12%	8.20%	8.88%

¹ The District utilizes an Employer Contribution Target Amount, this is not considered this to be an Actuarially Determined Contribution (ADC) as defined under GASB 75

* 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, 2025

	Last Ten Fiscal Years*							
Employer Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Measurement Period	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
District's proportion of net OPEB liability	0.5445%	0.5885%	0.5623%	0.5570%	0.5687%	0.5753%	0.5634%	0.5608%
District's proportionate share of net OPEB liability	\$ 1,451,278	\$ 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	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	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(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, 2025

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 unchanged from 5.55 percent since the previous valuation.

FONTANA UNIFIED SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025

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 3.65 percent to 3.93 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, 2025*

	Second Period Report	Annual Report
Regular ADA & Extended Year:		
TK/Grades K-3	8,713.51	8,714.52
Grades 4-6	6,847.88	6,838.18
Grades 7-8	4,703.60	4,696.45
Grades 9-12	10,515.66	10,461.08
Total Regular ADA	30,780.65	30,710.23
Special Education-Nonpublic, Nonsectarian Schools:		
TK/Grades K-3	0.28	0.23
Grades 4-6	3.74	4.15
Grades 7-8	6.54	6.79
Grades 9-12	16.53	18.52
Total Special Education-Nonpublic, Nonsectarian Schools	27.09	29.69
Total ADA	30,807.74	30,739.92

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2025

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	
AM Transitional Kindergarten	36,000	38,700	0	38,700	180	0	180	Complied
PM Transitional Kindergarten	36,000	38,055	645	38,700	177	3	180	Complied
Kindergarten	36,000	38,700	0	38,700	180	0	180	Complied
Grade 1	50,400	52,335	0	52,335	180	0	180	Complied
Grade 2	50,400	52,335	0	52,335	180	0	180	Complied
Grade 3	50,400	52,335	0	52,335	180	0	180	Complied
Grade 4	54,000	54,245	0	54,245	180	0	180	Complied
Grade 5	54,000	54,245	0	54,245	180	0	180	Complied
Grade 6	54,000	54,245	0	54,245	180	0	180	Complied
Grade 7	54,000	60,452	0	60,452	180	0	180	Complied
Grade 8	54,000	60,452	0	60,452	180	0	180	Complied
Grade 9	64,800	64,931	385	65,316	179	1	180	Complied
Grade 10	64,800	64,931	385	65,316	179	1	180	Complied
Grade 11	64,800	64,931	385	65,316	179	1	180	Complied
Grade 12	64,800	64,931	385	65,316	179	1	180	Complied

* The Districts PM Transitional Kindergarten received an approved J-13A waiver for 3 days, which is equivalent to 645 minutes.

* The Districts High School received an approved J-13A waiver for 1 day, which is equivalent to 385 minutes.

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2025

General Fund	(Budget) 2026 ²	2025 ³	2024	2023
Revenues and other financing sources	\$ 671,093,816	\$ 715,449,751	\$ 669,966,071	\$ 730,386,462
Expenditures	719,836,407	707,681,061	652,405,399	627,989,456
Other uses and transfers out	-	19,802,572	131	-
Total outgo	719,836,407	727,483,633	652,405,530	627,989,456
Change in fund balance (deficit)	(48,742,591)	(12,033,882)	17,560,541	102,397,006
Ending fund balance	\$ 280,094,727	\$ 328,837,318	\$ 340,871,200	\$ 323,310,659
Available reserves ¹	\$ 26,658,326	\$ 29,250,218	\$ 17,895,090	\$ 29,963,436
Available reserves as a percentage of total outgo	3.7%	4.0%	2.7%	4.8%
Total long-term debt	\$ 979,287,552	\$ 990,347,464	\$ 908,540,906	\$ 858,961,125
Average daily attendance at P-2	30,567	30,808	31,260	31,444

The General Fund balance has increased over the past two years by \$5.5 million. The fiscal year 2025-26 adopted budget projects an decrease of \$48.7 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 two of the past three years, but anticipates incurring an operating deficit during the 2025-26 fiscal year. Long-term debt has increased by \$131.4 million over the past two years.

Average daily attendance decreased by 636 compared to the 2022-23 fiscal year. Budgeted ADA for 2025-26 anticipates an additional 241 ADA decrease.

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

² Revised Final Budget September, 2025.

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, 2025*

	Cafeteria Fund	Internal Service Fund
June 30, 2025, annual financial and budget report (SACS) fund balances	\$ 43,176,065	\$ 12,065,422
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Accounts receivable understated	718,011	277,983
Removing JPA tracked within fund	-	1,549,056
Net adjustments and reclassifications	718,011	1,827,039
June 30, 2025, audited financial statement fund balances	<u>\$ 43,894,076</u>	<u>\$ 13,892,461</u>

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2025

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	\$ 3,030,796	
School Breakfast Program - Basic	10.553	13390	732	
National School Lunch Program	10.555	13523	13,617,534	
USDA Donated Foods	10.555	13391	1,633,736	
Total Child Nutrition Cluster				\$ 18,282,798
Passed through California Dept. of Social Services:				
Child and Adult Care Food Program:				
Child and Adult Care Food Program	10.558	13393	2,258,325	
Child and Adult Care Food Program Cash in Lieu	10.558	13393	991,064	
Total Child and Adult Care Food Program				3,249,389
Total U.S. Department of Agriculture				21,532,187
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Education Grants:				
Adult Secondary Education	84.002	13978	269,350	
Adult Basic Education & ESL	84.002A	14508	346,275	
English Literacy & Civics Education	84.002A	14109	207,428	
Total Adult Education				823,053
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		17,654,370
English Language Acquisition Grants				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	1,701,675	
Title III, Immigrant Education Program	84.365	15146	15,138	
Subtotal English Language Acquisition Grants				1,716,813
Strengthening Career and Tech. Education Grants				
Strengthening Career and Tech. Education for the 21st Century: Adult, Sect. 132	84.048	14893	70,236	
Strengthening Career and Technical Education for the 21st Century: Secondary, Sec. 131	84.048	14894	377,736	
Subtotal Strengthening Career and Tech. Education Grants				447,972
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	7,325,204	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	9,901	
Preschool Grants, Part B, Sec 619	84.173	13430	163,048	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	394,426	
Preschool Staff Development	84.173A	13431	1,405	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	15,157	
Subtotal Special Education Cluster				7,909,141
Early Intervention Grants, Part C	84.181	23761		129,885
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006		294,197
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	28,232,868	
American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425U	15566	239,867	
Subtotal Education Stabilization Fund				28,472,735
Total U.S. Department of Education				57,448,166
U.S. Department of Health & Human Services:				
Direct Federal to Local Program:				
Head Start Cluster	93.600	N/A		389,015
Passed through California Dept. of Education (CDE):				
Now is the Time (NITT) Advancing Wellness & Resilience in Education				
Child Care and Development Fund Cluster	93.243	15289		95,940
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA)				
Act- One-time Stipend	93.575	15555	32,702	
Federal Child Care, Center-based	93.596	13609	183,150	
COVID-19 CARES Act General Child Care and Development (CCTR)	93.575	15549	19,547	
Quality Improvement Activities	93.575	14092	81,501	
Subtotal Child Care and Development Fund Cluster				316,900
Total U.S. Department of Health & Human Services				801,855
Total Expenditures of Federal Awards				\$ 79,782,208

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, 2025*

<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, 2025

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		\$ 79,749,506
Differences between Federal Revenues and Expenditures:		
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA)		
Act- One-time Stipend	93.575	32,702
Total Schedule of Expenditures of Federal Awards		\$ 79,782,208

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Other Information

FONTANA UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2025

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
Adam Perez	President	2026
Danielle Holley	Vice President	2028
Angel Ramirez	Member	2028
Marcelino "Mars" Serna	Member	2026
Mary Sandoval	Member	2026

DISTRICT ADMINISTRATORS

Miki R. Inbody,
Superintendent

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

Caroline Labonte,
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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2025.

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
December 1, 2025



**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, 2025. 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, 2025.

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.

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
December 1, 2025



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 *2024-25 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, 2025.

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, 2025.

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 *2024-25 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 *2024-25 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 *2024-25 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 *2024-25 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
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
Kindergarten Continuance	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings 2025-001 through 2025-002. Our opinion on each state program is not modified with respect to these matters.

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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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Murrieta, California
December 1, 2025

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, 2025

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)?	<u>No</u>
Identification of major programs:	
<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553	Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,393,466</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

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

Financial Statement Findings

For the Fiscal Year Ended June 30, 2025

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 2024-25.

FONTANA UNIFIED SCHOOL DISTRICT
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2025

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 2024-25.

FONTANA UNIFIED SCHOOL DISTRICT

State Award Findings and Questioned Costs For the Fiscal Year Ended June 30, 2025

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

Finding 2025-001: Comprehensive School Safety Plan (40000)

Repeat Finding?: No

Criteria: Education Code Section 32286 requires that each school in a Local Educational Agency review and update their school safety plans by March 1.

Condition: Four school sites failed to review and update their comprehensive school safety plan by March 1.

Context: Auditor tested ten school sites and noted that four school sites had exceptions. Exceptions were noted at Birch High School, which last updated their plan on 6/26/2023; Oak Park Elementary, which last updated their plan on 8/25/2022; Tokay Elementary, which last updated their plan on 9/18/2025; and Wayne Ruble Elementary, which did not indicate the date of their last plan update.

Cause: The school site councils failed to ensure that the plans were reviewed, updated if necessary, and approved by March 1.

Effect: No financial impact.

Recommendation: We recommend that the District incorporate an internal review to ensure that all school sites have reviewed, updated (if applicable) and adopted their comprehensive school safety plan by March 1.

Views of Responsible Official: Fontana Unified School District has addressed the sites who have not updated their school safety plan. Fontana Unified School District will follow up with each site to ensure their safety plans are updated by the required date.

Finding 2025-002: School Accountability Report Card (72000)

Repeat Finding?: No

Criteria: In accordance with Education Code §33126, each 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 1 of each year.

Condition: The school accountability report cards at two sites failed to disclose the condition of the school site as reflected on their school facility inspection tool.

Context: Auditor tested ten school sites and noted that two school sites had exceptions. Wayne Ruble Middle School's SARC indicated a "Good" rating while the FIT form reported "Fair" in the category of electrical. Southridge Middle School's SARC indicated a "Fair" rating while the FIT form reported "Good" in the category of interior.

Cause: District failed to ensure that the facility conditions reported on each SARC reconciled to the school sites FIT form.

Effect: No financial impact.

FONTANA UNIFIED SCHOOL DISTRICT

State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2025

Finding 2025-002: School Accountability Report Card (72000) (continued)

Recommendation: We recommend that the District incorporate an internal review to ensure that all school sites SARC and FIT reconcile to each other without exception.

Views of Responsible Official: Fontana Unified School District has corrected the two sites incorrectly on the SARC. Fontana Unified School District will perform an audit on all sites to ensure the sites SARC meet all requirements.

FONTANA UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2025

Original Finding No.	Finding	Code	Recommendation	Current Status
2024-001: Expanded Learning Opportunity Program	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). 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.	40000	We recommend the District monitor their attendance at all programs and adjust staffing as necessary to maintain required ratios.	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, 2025, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 1, 2025 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 fundraising sales.

Observation: During our testing of disbursements 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 purchasing 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 disbursements at A.B. Miller High School, we noted that several expenditures lacked appropriate supporting documentation. These expenses were missing all supporting documentation and appear to have been originally purchased out of the school site with petty cash. In addition, the school site had two expenses deemed to be questionable or inappropriate for an ASB. One of the payments was for NFL Tickets and the second was for coaches meeting meals. Lastly at Kaiser High School, it was noted that ASB funds were used to purchase staff appreciation meals.

Recommendation: The school site has conducted an investigation as to the allowability of expenses. We advise that once the District finalizes their investigation that the ASB be made whole for any losses it may have incurred because of these transactions. Lastly, the District should conduct a training in which school sites are reminded of allowable and unallowable uses of ASB funds.

Observation: During cash receipt testing, we noted several cash receipts which were not deposited in a timely manner. Collected checks were dated from three weeks to a month prior to the date that the funds were deposited to the bank.

Recommendation: We recommend that the sites emphasize to the advisors and teachers that deposits should be made to the bookkeeper on a weekly basis or more often as needed. Money should never be left over the weekend or holidays because thefts are more likely to occur during these times.

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. Lastly, some reconciliations were not consistently reviewed in a timely manner.

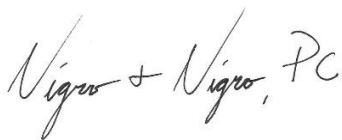
Recommendation: We recommend the bookkeeper perform monthly bank reconciliations within two weeks after the statement arrives. Furthermore, the Principal or ASB Advisor should review the bank reconciliation and initial and date the bank statement and reconciliation as evidence they were reviewed.

DISTRICT OFFICE

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

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

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

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

Murrieta, California
December 1, 2025