

**FONTANA UNIFIED SCHOOL DISTRICT  
SAN BERNARDINO COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2022**

**NIGRO  
& NIGRO<sup>PC</sup>**



**FONTANA UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2022*

*Table of Contents*

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**FINANCIAL SECTION**

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
District-Wide Financial Statements:	
Statement of Net Position .....	12
Statement of Activities.....	13
Governmental Funds Financial Statements:	
Balance Sheet.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	17
Proprietary Funds Financial Statements:	
Statement of Net Position .....	18
Statement of Revenues, Expenses, and Changes in Net Position .....	19
Statement of Cash Flows .....	20
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position .....	21
Statement of Changes in Fiduciary Net Position .....	22
Notes to Financial Statements .....	23

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund.....	61
Budgetary Comparison Schedule – Cafeteria Fund.....	62
Schedule of Proportionate Share of the Net Pension Liability-CalSTRS .....	63
Schedule of Proportionate Share of the Net Pension Liability-CalPERS .....	64
Schedule of Pension Contributions-CalSTRS .....	65
Schedule of Pension Contributions-CalPERS .....	66
Schedule of Changes in the District's Total OPEB Liability and Related Ratios.....	67
Schedule of OPEB Contributions .....	68
Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program .....	69
Notes to the Required Supplementary Information .....	70

**SUPPLEMENTARY INFORMATION**

Local Educational Agency Organization Structure .....	72
Schedule of Average Daily Attendance (ADA).....	73
Schedule of Instructional Time.....	74
Schedule of Financial Trends and Analysis.....	75
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements .....	76
Schedule of Expenditures of Federal Awards.....	77
Note to the Supplementary Information .....	78

**FONTANA UNIFIED SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2022*  
*Table of Contents*

---

**OTHER INDEPENDENT AUDITORS' REPORTS**

**Page**

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	79
Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	81
Independent Auditors' Report on State Compliance.....	83

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Summary of Auditors' Results .....	85
Financial Statement Findings .....	86
Federal Award Findings and Questioned Costs.....	87
State Award Findings and Questioned Costs.....	88
Summary Schedule of Prior Audit Findings.....	89
Management Letter.....	91

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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, 2022, 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, 2022, 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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 87, *Leases*. Accordingly, the beginning assets and liabilities on the Statement of Activities 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 the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**Supplementary Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 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  
October 19, 2022

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2022*

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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, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

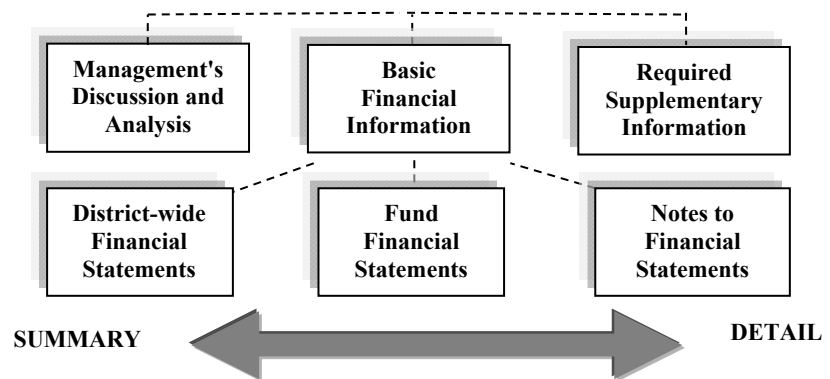
- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$41.3 million, or 29.4%.
- Governmental expenses were about \$608.3 million. Revenues were about \$649.7 million.
- The District acquired \$16.9 million in new capital assets during the year.
- Governmental funds increased by \$5.3 million, or 1.1%.
- Reserves for the General Fund decreased by \$0.8 million, or 2.2%. Revenues were \$612.9 million and expenditures, other uses, and transfers out were \$611.3 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



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

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2022*

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**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, 2022

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Fund Financial Statements (continued)**

- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims.
- 3) **Fiduciary funds** – 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 an OPEB Trust Fund. 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, 2022, than it was the year before – increasing 29.4% to \$181.9 million (See Table A-1).

**Table A-1: Statement of Net Position**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2022</b>	<b>2021*</b>	
<b>Assets</b>			
Current assets	\$ 623,142,500	\$ 622,707,636	\$ 434,864
Capital assets	508,169,790	514,876,456	(6,706,666)
<b>Total assets</b>	<u>1,131,312,290</u>	<u>1,137,584,092</u>	<u>(6,271,802)</u>
<b>Total deferred outflows of resources</b>	<u>151,052,388</u>	<u>174,162,498</u>	<u>(23,110,110)</u>
<b>Liabilities</b>			
Current liabilities	139,696,660	146,245,371	(6,548,711)
Long-term liabilities	733,483,212	975,509,402	(242,026,190)
<b>Total liabilities</b>	<u>873,179,872</u>	<u>1,121,754,773</u>	<u>(248,574,901)</u>
<b>Total deferred inflows of resources</b>	<u>227,331,828</u>	<u>49,487,269</u>	<u>177,844,559</u>
<b>Net position</b>			
Net investment in capital assets	330,809,073	308,793,183	22,015,890
Restricted	194,930,577	161,921,032	33,009,545
Unrestricted	(343,886,672)	(330,209,667)	(13,677,005)
<b>Total net position</b>	<u>\$ 181,852,978</u>	<u>\$ 140,504,548</u>	<u>\$ 41,348,430</u>

\*As restated

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2022*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Changes in net position, governmental activities.** The District's total revenues decreased 8.4% to \$649.7 million (See Table A-2). The decrease is due primarily to decreased COVID related operating grants.

The total cost of all programs and services decreased 5.1% to \$608.3 million. The District's expenses are predominantly related to educating and caring for students, 78.0%. The purely administrative activities of the District accounted for just 3.9% of total costs. A significant contributor to the decrease in costs was decreased spending of COVID-related grants.

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		<b>Variance</b>
	<b>2022</b>	<b>2021</b>	<b>Increase (Decrease)</b>
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 9,873,561	\$ 14,628,699	\$ (4,755,138)
Operating grants and contributions	182,053,691	249,847,929	(67,794,238)
Capital grants and contributions	(42,260)	52,453	(94,713)
General Revenues:			
Property taxes	71,597,615	65,028,201	6,569,414
Federal and state aid not restricted	383,411,782	364,572,835	18,838,947
Other general revenues	2,793,323	15,481,273	(12,687,950)
<b>Total Revenues</b>	<u>649,687,712</u>	<u>709,611,390</u>	<u>(59,923,678)</u>
<b>Expenses</b>			
Instruction-related	410,266,613	436,788,947	(26,522,334)
Pupil services	63,967,087	75,139,271	(11,172,184)
Administration	23,644,672	33,495,733	(9,851,061)
Plant services	58,307,623	56,853,445	1,454,178
All other activities	52,153,287	38,750,372	13,402,915
<b>Total Expenses</b>	<u>608,339,282</u>	<u>641,027,768</u>	<u>(32,688,486)</u>
Increase (decrease) in net position	<u>\$ 41,348,430</u>	<u>\$ 68,583,622</u>	<u>\$ (27,235,192)</u>
<b>Total net position</b>	<u>\$ 181,852,978</u>	<u>\$ 140,504,548</u>	<u>\$ 41,348,430</u>

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2022*

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**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 \$469.1 million, which is above last year's ending fund balance of \$463.7 million. The primary causes of the increased fund balance are increased reimbursement rates for cafeteria meal programs and a surplus in the Capital Projects Fund for Component Units.

**Table A-3: The District's Fund Balances**

Fund	Fund Balances				
	July 1, 2021	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2022
General Fund	\$ 219,323,988	\$ 612,893,423	\$ 611,300,679	\$ (3,079)	\$ 220,913,653
Student Activity Special Revenue Fund	1,673,242	3,103,959	2,867,917	-	1,909,284
Adult Education Fund	827,789	3,092,523	3,027,661	-	892,651
Child Development Fund	2,095,102	10,160,231	9,794,131	-	2,461,202
Cafeteria Fund	24,016,144	28,280,795	26,206,345	3,079	26,093,673
Special Reserve Fund (Other Than Capital Outlay)	12,788,790	(191,594)	-	-	12,597,196
Building Fund	67,671,160	(991,535)	1,881,512	-	64,798,113
Capital Facilities Fund	45,390,563	7,091,773	4,497,381	-	47,984,955
County School Facilities Fund	2,820,857	(42,260)	-	-	2,778,597
Special Reserve Fund (Capital Outlay)	27,046,287	6,401,502	3,869,618	-	29,578,171
Capital Projects Fund for Blended Component Units	41,188,654	6,571,383	2,502,255	-	45,257,782
Bond Interest and Redemption Fund	18,896,677	11,941,264	17,035,013	-	13,802,928
	<u>\$ 463,739,253</u>	<u>\$ 688,311,464</u>	<u>\$ 682,982,512</u>	<u>\$ -</u>	<u>\$ 469,068,205</u>

**General Fund Budgetary Highlights**

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

- Revenues – decreased by \$9.8 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$12.9 million due to revisions to anticipated benefits costs.
- Other non-personnel expenses – decreased \$16.2 million to re-budget carryover funds, revise operational cost estimates, and account for decreased spending of COVID grants.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$14.9 million, the actual results for the year show that revenues exceeded expenditures by roughly \$1.6 million. Actual revenues were \$6.7 million less than anticipated, and expenditures were \$6.6 million more than budgeted. That amount consists primarily of STRS on-behalf contributions from the State that were not fully budgeted.

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2022*

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2021-22 the District had invested \$16.9 million in new capital assets, related to construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$22.9 million, and lease amortization was \$0.5 million.

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

	Governmental Activities		Variance
	2022	2021*	Increase (Decrease)
Land	\$ 59,340,012	\$ 59,340,012	\$ -
Improvement of sites	28,132,143	27,225,924	906,219
Buildings	380,485,488	394,144,156	(13,658,668)
Equipment	24,822,889	24,469,430	353,459
Construction in progress	14,568,410	8,367,155	6,201,255
Lease assets	820,848	1,329,779	(508,931)
Total	<u>\$ 508,169,790</u>	<u>\$ 514,876,456</u>	<u>\$ (6,706,666)</u>

\*As restated

**Long-Term Debt**

At year-end the District had \$733.5 million in long-term liabilities – a decrease of 24.8% 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
	2022	2021*	Increase (Decrease)
General obligation bonds	\$ 290,464,420	\$ 299,199,910	\$ (8,735,490)
Certificates of participation	23,314,440	25,109,608	(1,795,168)
Financed purchase	-	119,253	(119,253)
Leases	821,668	1,329,779	(508,111)
Compensated absences	3,939,002	3,770,061	168,941
Claims liability	7,433,140	5,661,879	1,771,261
Other postemployment benefits	135,680,896	118,303,618	17,377,278
Net pension liability	271,829,646	522,015,294	(250,185,648)
Total	<u>\$ 733,483,212</u>	<u>\$ 975,509,402</u>	<u>\$ (242,026,190)</u>

\*As Restated

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2022*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

***State Budget***

The Legislature passed a final budget package on June 29, 2022. The budget package assumes that 2022-23 will end with nearly \$28 billion in total reserves. This consists of: (1) \$23.3 billion in the Budget Stabilization Account; (2) \$3.5 billion in the Special Fund for Economic Uncertainties (SFEU); and (3) \$900 million in the Safety Net Reserve, which is available for spending on the State's safety net programs, like Medi-Cal. In addition to the general-purpose reserves described above, the Proposition 98 Reserve (dedicated to school and community college spending) would reach \$9.5 billion under the spending plan.

***Federal Funds Expected to Decline Significantly Between 2021-22 and 2022-23***

In the budget federal funds decline \$175 billion, or 55 percent, between 2021-22 and 2022-23. This decline is the result of several significant federal programs enacted in response to COVID-19 expiring in 2022-23. For example, the enhanced Federal Medical Assistance Percentage for the State's Medicaid program (which the administration assumes will expire in December 2022) and \$27 billion in fiscal relief funding from the American Rescue Plan. However, there are also some increases in federal funds in 2022-23 related to the Infrastructure Investment and Jobs Act.

***Significant Increase in School and Community College Funding***

The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in State General Fund revenue. For 2021-22, the guarantee is up \$16.5 billion (17.6 percent) compared with the estimates made in June 2021. This increase represents one of the largest upward revisions since the adoption of Proposition 98 and is due to higher General Fund revenue estimates. For 2022-23, the guarantee increases by an additional \$117 million (0.1 percent) relative to the revised 2021-22 level.

***Makes Required Reserve Deposit and Funds New Programs***

When the minimum funding requirement is growing quickly, the Constitution requires the State to deposit some of the available funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the State deposits a total of \$9.5 billion into this account across the 2020-21 through 2022-23 period—an increase of \$4.5 billion compared with the estimates made in June 2021. The budget allocates the remaining funds for significant one-time and ongoing program increases. For schools, the largest ongoing augmentation is \$7.9 billion to provide a 13 percent increase to the Local Control Funding Formula and provide greater fiscal stability to school districts experiencing declining attendance. The budget plan also includes \$12.1 billion in one-time funding for two K-12 block grants—\$7.9 billion focused on learning recovery and \$3.6 billion intended for arts, music, and instructional materials. In addition, the budget plan includes \$841 million one time for facilities maintenance and instructional equipment and \$650 million one time for a COVID-19 block grant.

***Adjusts Guarantee Upwards for Expansion of Transitional Kindergarten***

The June 2021 budget plan established a plan to expand eligibility for transitional kindergarten beginning in 2022-23. Under the plan, all four-year old children will be eligible by 2025-26. (Previously, only children born between September 2 and December 2 were eligible.) The Legislature and Governor also agreed the State would cover the associated costs by adjusting the Proposition 98 formulas to increase the share of General Fund revenue allocated to schools. Consistent with this agreement, the budget plan includes an increase in the 2022-23 guarantee of \$614 million related to the first-year costs of the expansion.

***School Facilities Grants***

The budget allocates \$1.4 billion (non-Proposition 98 General Fund) attributable to 2021-22 for school facilities grants. Of this total, \$1.3 billion is to cover the State share for new construction and modernization projects under the School Facilities Program. These funds supplement existing funds from Proposition 51, the State school bond approved by voters in 2016. (Funding from Proposition 51 will likely be exhausted in 2022-23.) The remaining \$100 million is for schools to construct or renovate State Preschool, transitional kindergarten, and full-day kindergarten classrooms.



**FONTANA UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2022*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)**

***Reserve Cap Triggered***

As a result of the balance in the Public School System Stabilization Account, the statutory limitation on school district reserves has been triggered for the 2022-23 budget period, pursuant to Education Code (EC) Section 42127.01(e). Beginning with the 2022-23 fiscal year, the district reserve cap requires that a school district's adopted or revised budget pursuant to EC Section 42127 shall not contain a combined assigned or unassigned ending general fund balance of more than 10 percent of those funds. Assigned and unassigned balances within the Special Fund for Other than Capital Outlay shall also be included within the 10 percent reserve cap. The reserve cap requirement does not apply to small school districts or basic aid school districts pursuant to EC Section 42127.01(c).

All of these factors were considered in preparing the Fontana Unified School District budget for the 2022-23 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, 2022*

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	Total Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 584,092,643
Accounts receivable	37,333,456
Inventories	664,535
Prepaid expenses	1,051,866
Capital assets:	
Non-depreciable assets	73,908,422
Depreciable assets	850,207,919
Less accumulated depreciation	(416,767,399)
Lease asset	1,329,779
Accumulated amortization	(508,931)
Total assets	<u>1,131,312,290</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	13,757,169
Deferred outflows from OPEB	26,787,465
Deferred outflows from pensions	<u>110,507,754</u>
Total deferred outflows of resources	<u>151,052,388</u>
<b>LIABILITIES</b>	
Accounts payable	126,414,849
Accrued interest payable	3,280,544
Unearned revenue	10,001,267
Noncurrent liabilities:	
Due or payable within one year	7,949,402
Due in more than one year:	
Other than OPEB and pensions	318,023,268
Net OPEB liability	135,680,896
Net pension liability	<u>271,829,646</u>
Total liabilities	<u>873,179,872</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from OPEB	19,081,420
Deferred inflows from pensions	<u>208,250,408</u>
Total deferred inflows of resources	<u>227,331,828</u>
<b>NET POSITION</b>	
Net investment in capital assets	330,809,073
Restricted for:	
Capital projects	80,341,723
Debt service	13,802,928
Educational programs	88,651,603
Student activities	1,909,284
Self-insurance	10,225,039
Unrestricted	<u>(343,886,672)</u>
Total net position	<u>\$ 181,852,978</u>

# FONTANA UNIFIED SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Instructional Services:					
Instruction	\$ 334,426,479	\$ 1,213,886	\$ 108,759,949	\$ (42,260)	\$ (224,494,904)
Instruction-Related Services:					
Supervision of instruction	34,331,516	469,573	14,498,746	-	(19,363,197)
Instructional library, media and technology	6,681,499	554	1,754,445	-	(4,926,500)
School site administration	34,827,119	246,676	4,271,329	-	(30,309,114)
Pupil Support Services:					
Home-to-school transportation	7,513,373	-	1,936,210	-	(5,577,163)
Food services	25,701,006	16,910	28,270,577	-	2,586,481
All other pupil services	30,752,708	233,052	5,744,280	-	(24,775,376)
General Administration Services:					
Data processing services	8,552,436	-	86,565	-	(8,465,871)
Other general administration	15,092,236	61,066	3,832,781	-	(11,198,389)
Plant services	58,307,623	600,102	3,003,352	-	(54,704,169)
Ancillary services	3,049,798	-	3,144,311	-	94,513
Community services	14,874	-	56	-	(14,818)
Enterprise activities	51,668	-	2,274	-	(49,394)
Interest on long-term debt	9,949,115	-	-	-	(9,949,115)
Other outgo	15,645,073	7,031,742	6,748,816	-	(1,864,515)
Depreciation (unallocated)	22,933,828	-	-	-	(22,933,828)
Amortization (unallocated)	508,931	-	-	-	(508,931)
Total Governmental Activities	\$ 608,339,282	\$ 9,873,561	\$ 182,053,691	\$ (42,260)	(416,454,290)
<b>General Revenues:</b>					
Property taxes					71,597,615
Federal and state aid not restricted to specific purpose					383,411,782
Interest and investment earnings					(6,670,828)
Interagency revenues					29,474
Miscellaneous					9,434,677
Total general revenues					457,802,720
Change in net position					41,348,430
Net position - July 1, 2021					140,504,548
Net position - June 30, 2022					\$ 181,852,978

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2022*

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Deposits and investments	\$ 335,186,070	\$ 25,451,218	\$ 64,979,180	\$ 144,577,272	\$ 570,193,740
Accounts receivable	32,472,375	3,189,428	144,460	1,495,486	37,301,749
Due from other funds	4,133,791	56,635	-	3,187,146	7,377,572
Inventories	239,125	312,394	-	113,016	664,535
Prepaid expenditures	1,036,285	15,581	-	-	1,051,866
<b>Total Assets</b>	<b>\$ 373,067,646</b>	<b>\$ 29,025,256</b>	<b>\$ 65,123,640</b>	<b>\$ 149,372,920</b>	<b>\$ 616,589,462</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 122,483,018	\$ 593,669	\$ 325,527	\$ 2,797,120	\$ 126,199,334
Due to other funds	7,075,750	2,334,676	-	1,910,230	11,320,656
Unearned revenue	9,998,029	3,238	-	-	10,001,267
<b>Total Liabilities</b>	<b>139,556,797</b>	<b>2,931,583</b>	<b>325,527</b>	<b>4,707,350</b>	<b>147,521,257</b>
<b>Fund Balances</b>					
Nonspendable	1,395,410	335,331	-	133,536	1,864,277
Restricted	59,102,905	26,173,797	64,798,113	144,217,751	294,292,566
Committed	134,033,595	-	-	-	134,033,595
Assigned	2,829,477	-	-	318,286	3,147,763
Unassigned	36,149,462	(415,455)	-	(4,003)	35,730,004
<b>Total Fund Balances</b>	<b>233,510,849</b>	<b>26,093,673</b>	<b>64,798,113</b>	<b>144,665,570</b>	<b>469,068,205</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 373,067,646</b>	<b>\$ 29,025,256</b>	<b>\$ 65,123,640</b>	<b>\$ 149,372,920</b>	<b>\$ 616,589,462</b>

# FONTANA UNIFIED SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022

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**Total fund balances - governmental funds** \$ 469,068,205

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, accumulated depreciation, and accumulated amortization.

Capital assets at historical cost	924,116,341	
Accumulated depreciation	(416,767,399)	
Lease assets at historical cost	1,329,779	
Accumulated amortization	<u>(508,931)</u>	
Net:		508,169,790

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: 13,757,169

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (3,280,544)

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

General obligation bonds payable	290,464,420	
Certificates of participation payable	23,314,440	
Lease liability	821,668	
Compensated absences	3,939,002	
Other postemployment benefits payable	135,680,896	
Net pension liability	<u>271,829,646</u>	
Total:		(726,050,072)

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	137,295,219	
Deferred inflows of resources	<u>(227,331,828)</u>	
Net:		(90,036,609)

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: 10,225,039

**Total net position - governmental activities** \$ 181,852,978

## FONTANA UNIFIED SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2022

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 428,196,752	\$ -	\$ -	\$ -	\$ 428,196,752
Federal sources	72,155,278	27,181,969	-	1,732,753	101,070,000
Other state sources	113,472,261	1,433,599	-	8,687,643	123,593,503
Other local sources	(1,122,462)	(334,773)	(991,535)	37,899,979	35,451,209
Total Revenues	612,701,829	28,280,795	(991,535)	48,320,375	688,311,464
<b>EXPENDITURES</b>					
Current:					
Instruction	395,285,087	-	-	9,124,393	404,409,480
Instruction-related services:					
Supervision of instruction	37,045,447	-	-	2,319,497	39,364,944
Instructional library, media and technology	6,872,372	-	-	-	6,872,372
School site administration	38,991,328	-	-	389,790	39,381,118
Pupil support services:					
Home-to-school transportation	7,696,938	-	-	-	7,696,938
Food services	944,766	25,312,737	-	33,440	26,290,943
All other pupil services	34,531,590	-	-	506,583	35,038,173
Ancillary services	191,244	-	-	2,867,917	3,059,161
Community services	14,912	-	-	-	14,912
Enterprise activities	3,270,317	-	-	-	3,270,317
General administration services:					
Data processing services	8,885,667	-	-	-	8,885,667
Other general administration	11,761,882	-	9,000	-	11,770,882
Plant services	58,052,397	7,820	-	1,969,985	60,030,202
Transfers of indirect costs	(720,474)	403,047	-	317,427	-
Intergovernmental	136,073	-	-	-	136,073
Capital outlay	7,711,660	482,741	1,872,512	6,555,193	16,622,106
Debt service:					
Principal	627,364	-	-	11,270,000	11,897,364
Interest	2,109	-	-	8,239,751	8,241,860
Total Expenditures	611,300,679	26,206,345	1,881,512	43,593,976	682,982,512
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,401,150	2,074,450	(2,873,047)	4,726,399	5,328,952
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	3,079	-	-	3,079
Interfund transfers out	(3,079)	-	-	-	(3,079)
Total Other Financing Sources and Uses	(3,079)	3,079	-	-	-
Net Change in Fund Balances	1,398,071	2,077,529	(2,873,047)	4,726,399	5,328,952
Fund Balances, July 1, 2021	232,112,778	24,016,144	67,671,160	139,939,171	463,739,253
Fund Balances, June 30, 2022	\$ 233,510,849	\$ 26,093,673	\$ 64,798,113	\$ 144,665,570	\$ 469,068,205

# 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, 2022

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**Total net change in fund balances - governmental funds** \$ 5,328,952

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

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

Expenditures for capital outlay	16,888,649	
Depreciation expense	(22,933,828)	
Amortization expense	<u>(508,931)</u>	
Net:		(6,554,110)

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:

(152,556)

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

11,897,364

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:

(1,241,905)

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

1,050,274

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

(1,789,616)

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:

154,739

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:

(168,941)

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:

32,741,402

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:

354,206

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:

(271,379)

**Change in net position of governmental activities** \$ 41,348,430

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2022*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 13,898,903
Accounts receivable	31,707
Due from other funds	<u>4,017,344</u>
Total assets	<u>17,947,954</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	215,515
Due to other funds	74,260
Long-term liabilities:	
Estimated liability for open claims and IBNRs	<u>7,433,140</u>
Total liabilities	<u>7,722,915</u>
<b>NET POSITION</b>	
Restricted	<u><u>\$ 10,225,039</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, 2022*

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	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Self-insurance premiums	\$ 4,020,416
Other local revenues	<u>(310,038)</u>
Total operating revenues	<u>3,710,378</u>
<b>OPERATING EXPENSES</b>	
Payments for personnel costs	376,693
Payments for materials and supplies	30,740
Payments for claims and other operating expenses	<u>3,674,799</u>
Total operating expenses	<u>4,082,232</u>
<b>OPERATING INCOME (LOSS)</b>	(371,854)
<b>NON-OPERATING REVENUES</b>	
Interest income	<u>100,475</u>
Change in net position	(271,379)
Net position, July 1, 2021	<u>10,496,418</u>
Net position, June 30, 2022	<u><u>\$ 10,225,039</u></u>

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2022*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Received from in-district premiums	\$ 3,569,439
Payments to employees and fringe benefits	(339,994)
Payments to vendors and suppliers	(30,740)
Payments on insurance claims	(1,826,182)
Other receipts (payments)	(310,038)
Net cash provided (used) by operating activities	<u>1,062,485</u>
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Investment income	<u>98,125</u>
Net increase (decrease) in cash and cash equivalents	1,160,610
Cash and cash equivalents, July 1, 2021	<u>12,738,293</u>
Cash and cash equivalents, June 30, 2022	<u>\$ 13,898,903</u>
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i></b>	
Operating income (loss)	<u>\$ (371,854)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Due from other funds	(450,977)
Estimated liability for open claims and IBNRs	1,848,617
Due to other funds	<u>36,699</u>
Net cash provided (used) by operating activities	<u>\$ 1,062,485</u>

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position*  
*June 30, 2022*

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	Trust Funds		Total
	Retiree Benefits Fund	Pension Trust Fund	
<b>ASSETS</b>			
Deposits and investments	\$ 68,788,934	\$ 28,859,798	\$ 97,648,732
Accounts receivable	8,686,272	-	8,686,272
Total assets	77,475,206	28,859,798	106,335,004
<b>LIABILITIES</b>			
Accounts payable	-	-	-
<b>NET POSITION</b>			
Restricted for postemployment benefits	\$ 77,475,206	\$ 28,859,798	\$ 106,335,004

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Statement of Changes in Fiduciary Net Position*  
*For the Fiscal Year Ended June 30, 2022*

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	Trust Funds		Totals
	Retiree Benefits Fund	Pension Trust Fund	
<b>ADDITIONS</b>			
Interest	\$ 4,782,468	\$ -	\$ 4,782,468
In-district contributions	8,686,267	15,500,000	24,186,267
Total Additions	13,468,735	15,500,000	28,968,735
<b>DEDUCTIONS</b>			
Operating expenses	378,388	70,999	449,387
Decrease in fair value of investments	20,113,170	4,501,245	24,614,415
Total Deductions	20,491,558	4,572,244	25,063,802
Change in net position	(7,022,823)	10,927,756	3,904,933
Net position - July 1, 2021	84,498,029	17,932,042	102,430,071
Net position - June 30, 2022	<u>\$ 77,475,206</u>	<u>\$ 28,859,798</u>	<u>\$ 106,335,004</u>

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### 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, 2022

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 1. Basis of Presentation (continued)

###### District-Wide Financial Statements (continued)

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

###### Fund Financial Statements

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

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

###### Major Governmental Funds

The District reports the following major governmental funds:

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

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

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

###### Non-Major Governmental Funds

The District reports the following non-major governmental funds:

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

# FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 1. Basis of Presentation (continued)

##### Non-Major Governmental Funds (continued)

###### Special Revenue Funds (continued):

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

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

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

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

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

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

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

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

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

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

# FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

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## 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, 2022

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 2. Measurement Focus, Basis of Accounting (continued)

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

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

##### 3. Revenues - Exchange and Non-Exchange Transactions

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

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

#### C. Budgetary Data

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

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

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Encumbrances

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

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

##### 1. Cash and Cash Equivalents

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

##### 2. Inventories and Prepaid Items

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

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

##### 3. Capital Assets

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

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

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

##### 4. Unearned Revenue

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

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

##### 5. Deferred Outflows/Inflows of Resources

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

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 5. Deferred Outflows/Inflows of Resources (continued)

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

##### 6. Compensated Absences

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

##### 7. Leases

###### Lessee:

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

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

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

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

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

###### Lessor:

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

# FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### 7. Leases (continued)

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

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

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

#### 8. 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.

#### 9. 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.

#### 10. 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.

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### 10. Fund Balances (continued)

**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.

##### 11. Net Position

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

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

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

#### F. Minimum Fund Balance Policy

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

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### F. Minimum Fund Balance Policy (continued)

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

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

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

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

#### G. Property Tax Calendar

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

#### H. Use of Estimates

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

### NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2022 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 570,193,740
Proprietary funds	13,898,903
Governmental Activities	<u>584,092,643</u>
Fiduciary funds	97,648,732
Total deposits and investments	<u><u>\$ 681,741,375</u></u>

Deposits and investments as of June 30, 2022 consist of the following:

Cash on hand and in banks	\$ 1,780,512
Cash in revolving fund	297,876
Investments	<u>679,662,987</u>
Total deposits and investments	<u><u>\$ 681,741,375</u></u>

Investment security ratings reported as of June 30, 2022, are defined by Morningstar or Standard and Poors.

## FONTANA UNIFIED SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2022*

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### 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 County Treasury. The County pools and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2022, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

#### **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, 2022, \$1.7 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

#### **Investments - Interest Rate Risk**

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

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

**NOTE 2 – DEPOSITS AND INVESTMENTS (continued)**

**Investments - Interest Rate Risk (continued)**

Maturities of investments held at June 30, 2022, 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	\$ 543,163,014	\$ 543,163,014	\$ -	uncategorized	N/A
US Bank Money Market	38,872,535	38,872,535	-	Level 2	N/A
Benefit Trust Company:					
Fixed Income	36,509,666	36,509,666	-	Level 2	N/A
Domestic Equities	21,037,511	21,037,511	-	Level 2	N/A
International Equities	6,275,484	6,275,484	-	Level 2	N/A
Real Estate	4,944,979	4,944,979	-	Level 2	N/A
Public Agency Retirement System:					
Vanguard Conservative Fund	14,691,734	14,691,734	-	Level 2	N/A
Vanguard Balanced Fund	14,168,064	14,168,064	-	Level 2	N/A
<b>Total</b>	<b>\$ 679,662,987</b>	<b>\$ 679,662,987</b>	<b>\$ -</b>		

**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, 2022, 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, 2022, the District had the following investment that represented more than five percent of the District's net investments (excluding cash in county):

US Bank Money Market	28.5%
Benefit Trust Company:	
Fixed Income	26.7%
Domestic Equities	15.4%
Public Agency Retirement System:	
Vanguard Conservative Fund	10.8%
Vanguard Balanced Fund	10.4%



# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

#### Fair Value Measurements

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

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

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

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

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

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

### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2022, consisted of the following:

	Governmental Funds				Totals	Proprietary	Fiduciary
	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds		Self-Insurance Fund	Retiree Benefit Fund
Federal Government:							
Categorical aid programs	\$ 23,534,900	\$ 2,970,577	\$ -	\$ 638,646	\$ 27,144,123	\$ -	\$ -
State Government:							
Lottery	1,214,047	-	-	-	1,214,047	-	-
Special education	2,324,764	-	-	-	2,324,764	-	-
Categorical aid programs	4,366,384	170,381	-	580,586	5,117,351	-	-
Local:							
Interest	556,011	48,052	144,460	196,675	945,198	31,476	5
Other local resources	476,269	418	-	79,579	556,266	231	8,686,267
Total	<u>\$ 32,472,375</u>	<u>\$ 3,189,428</u>	<u>\$ 144,460</u>	<u>\$ 1,495,486</u>	<u>\$ 37,301,749</u>	<u>\$ 31,707</u>	<u>\$ 8,686,272</u>

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2022*

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**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2022, consisted of the following:

	Due From Other Funds					Total
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	
General Fund	\$ -	\$ 53,504	\$ 3,187,146	\$ 3,240,650	\$ 3,835,100	\$ 7,075,750
Cafeteria Fund	2,232,105	-	-	2,232,105	102,571	2,334,676
Non-Major Governmental Funds	1,830,557	-	-	1,830,557	79,673	1,910,230
Self-Insurance Fund	71,129	3,131	-	74,260	-	74,260
<b>Total</b>	<b>\$ 4,133,791</b>	<b>\$ 56,635</b>	<b>\$ 3,187,146</b>	<b>\$ 7,377,572</b>	<b>\$ 4,017,344</b>	<b>\$ 11,394,916</b>

General Fund to Special Reserve Fund for Capital Outlay Projects Fund for redevelopment	\$ 3,187,142
General Fund to Adult Education Fund for indirect cost	4
General Fund to Cafeteria fund for catering charges, salary costs, and bad debt	53,504
General Fund to Self-Insurance Fund for district premiums and contributions	3,835,100
Adult Education Fund to General Fund for indirect costs, block grant, benefits, and temporary loan	180,136
Adult Education Fund to Self-Insurance Fund for workers compensation	12,194
Child Development Fund to General Fund for printing, indirect costs, and suspense account transfer	1,327,272
Child Development Fund to Self-Insurance Fund for workers compensation	67,479
Cafeteria Fund to General Fund for fuel charges, indirect costs, suspense account transfer	2,232,105
Cafeteria Fund to Self-Insurance Fund for workers compensation	102,571
Capital Facilities Fund to General Fund for indirect costs	234,804
Special Reserve Fund for Capital Outlay Projects Fund to General Fund for capital reimbursement	88,345
Self-Insurance Fund to General Fund for workers compensation	71,129
Self-Insurance Fund to Cafeteria Fund for workers compensation	3,131
<b>Total</b>	<b>\$ 11,394,916</b>

**B. Transfers To/From Other Funds**

Transfers to/from other funds for the fiscal year ended June 30, 2022, consisted of the following:

General Fund transfer to Cafeteria fund for catering charges, salary costs, and bad debt	<u>\$ 3,079</u>
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# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

### NOTE 5 – FUND BALANCES

At June 30, 2022, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 120,000	\$ 7,356	\$ -	\$ 20,520	\$ 147,876
Inventories	239,125	312,394	-	113,016	664,535
Prepaid expenditures	1,036,285	15,581	-	-	1,051,866
Total Nonspendable	<u>1,395,410</u>	<u>335,331</u>	<u>-</u>	<u>133,536</u>	<u>1,864,277</u>
<b>Restricted:</b>					
Categorical programs	59,102,905	-	-	-	59,102,905
Student activities	-	-	-	1,775,748	1,775,748
Adult education program	-	-	-	896,654	896,654
Child development program	-	-	-	2,142,916	2,142,916
Food service program	-	26,173,797	-	-	26,173,797
Capital projects	-	-	64,798,113	125,599,505	190,397,618
Debt service	-	-	-	13,802,928	13,802,928
Total Restricted	<u>59,102,905</u>	<u>26,173,797</u>	<u>64,798,113</u>	<u>144,217,751</u>	<u>294,292,566</u>
<b>Committed:</b>					
Other commitments	134,033,595	-	-	-	134,033,595
Total Committed	<u>134,033,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,033,595</u>
<b>Assigned:</b>					
School site carryover	1,598,351	-	-	-	1,598,351
Supplemental and concentration carryover	1,231,126	-	-	-	1,231,126
Other assignments	-	-	-	318,286	318,286
Total Assigned	<u>2,829,477</u>	<u>-</u>	<u>-</u>	<u>318,286</u>	<u>3,147,763</u>
<b>Unassigned:</b>					
Reserve for economic uncertainties	24,452,150	-	-	-	24,452,150
Remaining unassigned balances	11,697,312	(415,455)	-	(4,003)	11,277,854
Total Unassigned	<u>36,149,462</u>	<u>(415,455)</u>	<u>-</u>	<u>(4,003)</u>	<u>35,730,004</u>
Total	<u>\$ 233,510,849</u>	<u>\$ 26,093,673</u>	<u>\$ 64,798,113</u>	<u>\$ 144,665,570</u>	<u>\$ 469,068,205</u>

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

### NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance, July 1, 2021*	Additions	Retirements	Balance, June 30, 2022
Capital assets not being depreciated:				
Land	\$ 59,340,012	\$ -	\$ -	\$ 59,340,012
Construction in progress	8,367,155	7,866,463	1,665,208	14,568,410
Total capital assets not being depreciated	<u>67,707,167</u>	<u>7,866,463</u>	<u>1,665,208</u>	<u>73,908,422</u>
Capital assets being depreciated:				
Improvement of sites	79,077,534	4,084,417	-	83,161,951
Buildings	680,042,855	2,179,455	-	682,222,310
Equipment	81,163,372	4,423,522	763,236	84,823,658
Total capital assets being depreciated	<u>840,283,761</u>	<u>10,687,394</u>	<u>763,236</u>	<u>850,207,919</u>
Accumulated depreciation for:				
Improvement of sites	(51,851,610)	(3,178,198)	-	(55,029,808)
Buildings	(285,898,699)	(15,838,123)	-	(301,736,822)
Equipment	(56,693,942)	(3,917,507)	(610,680)	(60,000,769)
Total accumulated depreciation	<u>(394,444,251)</u>	<u>(22,933,828)</u>	<u>(610,680)</u>	<u>(416,767,399)</u>
Total capital assets being depreciated, net	<u>445,839,510</u>	<u>(12,246,434)</u>	<u>152,556</u>	<u>433,440,520</u>
Leased Assets				
Building leases	727,807	-	-	727,807
Equipment leases	601,972	-	-	601,972
Accumulated amortization for:				
Building leases	-	(207,945)	-	(207,945)
Equipment leases	-	(300,986)	-	(300,986)
Total leased assets, net	<u>1,329,779</u>	<u>(508,931)</u>	<u>-</u>	<u>820,848</u>
Governmental activity capital assets, net	<u>\$ 514,876,456</u>	<u>\$ (4,888,902)</u>	<u>\$ 1,817,764</u>	<u>\$ 508,169,790</u>

\*As restated under GASB 87

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

Changes in long-term debt for the year ended June 30, 2022, were as follows:

	Balance, July 1, 2021*	Additions	Deductions	Balance, June 30, 2022	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 278,934,839	\$ -	\$ 9,675,000	\$ 269,259,839	\$ 4,740,000
Accreted interest component	10,815,463	1,789,616	-	12,605,079	-
Unamortized issuance premium	9,449,608	-	850,106	8,599,502	850,106
Total - Bonds	<u>299,199,910</u>	<u>1,789,616</u>	<u>10,525,106</u>	<u>290,464,420</u>	<u>5,590,106</u>
Certificates of Participation:					
Principal repayments	22,110,000	-	1,595,000	20,515,000	1,650,000
Unamortized issuance premium	2,999,608	-	200,168	2,799,440	200,168
Total - Certificates of Participation	<u>25,109,608</u>	<u>-</u>	<u>1,795,168</u>	<u>23,314,440</u>	<u>1,850,168</u>
Financed Purchase	119,253	-	119,253	-	-
Leases	1,329,779	-	508,111	821,668	509,128
Compensated Absences	3,770,061	168,941	-	3,939,002	-
Claims Liability	5,661,879	1,771,261	-	7,433,140	-
Totals	<u>\$ 335,190,490</u>	<u>\$ 3,729,818</u>	<u>\$ 12,947,638</u>	<u>\$ 325,972,670</u>	<u>\$ 7,949,402</u>

\*As restated under GASB 87

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### 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. Financed purchase and lease payments are made from the General Fund. Accumulated vacation and other postemployment benefits will be paid for by the fund for which the employee worked. Claims payments will be paid from the Self-Insurance Fund.

#### A. General Obligation Bonds

##### Election of 2006

On June 6, 2006, an election was held where the registered voters in the District approved by a fifty-five percent majority the issuance and sale of \$275 million principal amount of general obligation bonds. The bonds are being issued to acquire, construct, renovate and equip certain District facilities. As of June 30, 2022, there are three bond issuances outstanding from this authorization: the Series B, Series C, and Series 2020 Bonds.

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

##### 2020 General Obligation Refunding Bonds

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. As of June 30, 2022, the principal balance outstanding on the defeased debt amounted to \$101,315,508.

##### 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, 2022, 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, 2022 of \$12,596,705 remain to be amortized.

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2022

**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, 2021	Additions	Deductions	Balance, June 30, 2022
<b>Refunding Bonds</b>								
2014R	5/22/2014	8/1/2031	2.25%-5.0%	12,975,000	\$ 2,515,000	\$ -	\$ 150,000	\$ 2,365,000
2016R	6/1/2016	8/1/2029	2.0%-5.0%	49,910,000	42,655,000	-	3,350,000	39,305,000
2020R	7/15/2020	8/1/2044	0.66%-2.90%	158,315,000	158,315,000	-	4,025,000	154,290,000
Subtotal Refunding Bonds					203,485,000	-	7,525,000	195,960,000
<b>Measure C (2006)</b>								
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	67,150,000	-	2,150,000	65,000,000
Subtotal Measure C					75,449,839	-	2,150,000	73,299,839
Total					\$ 278,934,839	\$ -	\$ 9,675,000	\$ 269,259,839
<b>Accreted Interest</b>								
				Series	Balance, July 1, 2021	Additions	Deductions	Balance, June 30, 2022
				2006B	\$ 10,815,463	\$ 1,789,616	\$ -	\$ 12,605,079

The annual requirements to amortize general obligation bonds outstanding at June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
2022-2023	\$ 4,740,000	\$ 7,100,499	\$ 11,840,499
2023-2024	5,195,000	6,885,638	12,080,638
2024-2025	5,990,000	6,642,037	12,632,037
2025-2026	6,865,000	6,364,816	13,229,816
2026-2027	7,810,000	6,050,078	13,860,078
2027-2032	28,734,554	50,849,957	79,584,511
2032-2037	63,435,285	43,322,105	106,757,390
2037-2042	100,490,000	12,964,903	113,454,903
2042-2045	46,000,000	1,622,000	47,622,000
Total	\$ 269,259,839	\$ 141,802,033	\$ 411,061,872

**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, 2022

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

#### B. Certificates of Participation (continued)

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2022 of \$1,160,464 remain to be amortized for this refunding. As of June 30, 2022, 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
2022-2023	\$ 1,650,000	\$ 798,700	\$ 2,448,700
2023-2024	1,720,000	714,450	2,434,450
2024-2025	1,795,000	626,575	2,421,575
2025-2026	1,835,000	545,000	2,380,000
2026-2027	1,935,000	469,600	2,404,600
2027-2032	7,305,000	1,331,200	8,636,200
2032-2036	4,275,000	258,350	4,533,350
Total	<u>\$ 20,515,000</u>	<u>\$ 4,743,875</u>	<u>\$ 25,258,875</u>

#### C. Financed Purchase

The District agreed to a financed purchase of 29 vehicles on February 1, 2017, for a value of \$894,400 from Enterprise Fleet Management. As of June 30, 2022, this obligation has been fully paid.

#### D. Leases

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

Annual future payments are as follows:

Fiscal Year	Principal	Interest	Total
2022-2023	\$ 509,128	\$ 1,092	\$ 510,220
2023-2024	208,256	399	208,655
2024-2025	104,284	43	104,327
Total	<u>\$ 821,668</u>	<u>\$ 1,534</u>	<u>\$ 823,202</u>

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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

For the fiscal year ended June 30, 2022, 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	\$ 133,459,030	\$ 26,787,465	\$ 19,081,420	\$ 2,877,339
MPP Program	2,221,866	-	-	(680,595)
Total	<u>\$ 135,680,896</u>	<u>\$ 26,787,465</u>	<u>\$ 19,081,420</u>	<u>\$ 2,196,744</u>

The details of each plan are as follows:

#### **District Plan**

##### ***Plan Description***

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

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

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

##### ***Benefits Provided***

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



**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

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

**District Plan (continued)**

***Benefits Provided (continued)***

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

***Employees covered by benefit terms***

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	770
Active employees	3,427
Total	<u>4,197</u>

***Contributions***

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

***Net OPEB Liability***

The District’s net OPEB liability is reported as of June 30, 2022 for the employer fiscal year and reporting period of July 1, 2021 to June 30, 2022. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2022 and are based on a valuation as of June 30, 2021.

***Actuarial assumptions and other inputs***

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

Valuation Date	June 30, 2021
Inflation	2.50 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

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

**District Plan (continued)**

***Mortality Rates***

Mortality rates are based on:

Certificated	2020 CalSTRS Mortality
Classified	2017 CalPERS Mortality for Miscellaneous and Schools Employees
Police	2017 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.

**Changes in the Net OPEB Liability**

	Total OPEB Liability	Fiduciary* Net Position	Net OPEB Liability
<b>Balance at July 1, 2021</b>	\$ 192,706,332	\$ 76,812,905	\$ 115,893,427
<b>Changes for the year:</b>			
Service cost	7,218,831	-	7,218,831
Interest/Return	10,663,479	(15,337,021)	26,000,500
Administrative expenses	-	(378,387)	378,387
Employer Contributions	-	16,032,115	(16,032,115)
Benefit payments	(8,361,973)	(8,361,973)	-
Net changes	9,520,337	(8,045,266)	17,565,603
<b>Balance at June 30, 2022</b>	\$ 202,226,669	\$ 68,767,639	\$ 133,459,030

\*Fiduciary Net Position does not include \$8,686,272 in contributions receivable or \$21,295 cash held in the County Treasury that is recorded in these financial statements as of June 30, 2022.

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

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

**District Plan (continued)**

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

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

<u>Discount Rate</u>	<u>OPEB Liability</u>
1% decrease	\$ 161,752,452
Current discount rate	\$ 133,459,030
1% increase	\$ 110,057,886

***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:

<u>Healthcare Cost Trend Rate</u>	<u>OPEB Liability</u>
1% decrease	\$ 102,735,893
Current trend rate	\$ 133,459,030
1% increase	\$ 172,622,128

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$133,459,030. In addition, at June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 12,672,239
Changes of assumptions	10,558,081	-
Net difference between projected and actual earnings on OPEB plan investments	16,229,384	6,409,181
Total	<u>\$ 26,787,465</u>	<u>\$ 19,081,420</u>

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

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

**District Plan (continued)**

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 5,454,763	\$ 3,438,899
2023	5,367,303	3,438,899
2024	5,217,334	3,438,898
2025	5,217,332	1,302,505
2026	1,256,837	1,302,505
Thereafter	4,273,896	6,159,714
Totals	<u>\$ 26,787,465</u>	<u>\$ 19,081,420</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, 2020 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

***Benefits Provided***

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

As of June 30, 2022, 5,096 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 25930, contributions that would otherwise be credited to the Defined Benefit Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

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

**Medicare Premium Payment (MPP) Program (continued)**

***Total OPEB Liability***

At June 30, 2022, the District reported a liability of \$2,221,866 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, 2021, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2022</u>	<u>Fiscal Year Ending June 30, 2021</u>	
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
Proportion of the Net OPEB Liability	0.557049%	0.684900%	-0.127851%

For the year ended June 30, 2022, the District reported OPEB expense of \$(680,595).

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the June 30, 2020 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, 2021
Valuation Date	June 30, 2020
Experience Study	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	2.16%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population of 152,062.

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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

#### Medicare Premium Payment (MPP) Program (continued)

##### *Actuarial Assumptions and Other Inputs (continued)*

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

##### *Discount Rate*

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, 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, 2021, 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, 2021, was 2.16%, which is a decrease from 2.21% as of June 30, 2020.

##### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 2,449,109
Current discount rate	\$ 2,221,866
1% increase	\$ 2,027,713

##### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 2,020,527
Current trend rate	\$ 2,221,866
1% increase	\$ 2,452,696

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### 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, 2022, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 168,645,710	\$ 81,589,075	\$ 158,961,903	(2,497,937)
CalPERS	103,183,936	28,918,679	49,288,505	12,731,381
Total	<u>\$ 271,829,646</u>	<u>\$ 110,507,754</u>	<u>\$ 208,250,408</u>	<u>\$ 10,233,444</u>

The details of each plan are as follows:

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

##### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, 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 comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### NOTE 9 – PENSION PLANS (continued)

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

##### Benefits Provided (continued)

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

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	16.92%	16.92%
Required State Contribution Rate	10.828%	10.828%

##### Contributions

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

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

The contribution rates for each program for the year ended June 30, 2022, are presented above, and the District's total contributions were \$39,076,743.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	168,645,710
State's proportionate share of the net pension liability associated with the District		<u>84,855,980</u>
Total	\$	<u>253,501,691</u>



**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS)**

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

The net pension liability was measured as of June 30, 2021. 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:

	<u>Percentage Share of Risk Pool</u>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2022</b>	<b>Fiscal Year Ending June 30, 2021</b>	
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
Proportion of the Net Pension Liability	0.370585%	0.375275%	-0.004691%

For the year ended June 30, 2022, the District recognized pension expense of \$(2,497,937). In addition, the District recognized pension expense and revenue of \$(14,790,519) for support provided by the State. At June 30, 2022, 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	\$ 39,076,743	\$ -
Net change in proportionate share of net pension liability	18,194,560	7,611,383
Difference between projected and actual earnings on pension plan investments	-	133,403,100
Changes of assumptions	23,895,305	-
Differences between expected and actual experience	422,467	17,947,420
Total	<u>\$ 81,589,075</u>	<u>\$ 158,961,903</u>

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

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### 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)**

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
2022	\$ 18,870,569	\$ 39,449,265
2023	13,991,874	35,921,298
2024	3,294,937	36,907,054
2025	3,294,937	40,707,314
2026	2,620,577	2,941,021
Thereafter	439,437	3,035,952
Total	<u>\$ 42,512,332</u>	<u>\$ 158,961,903</u>

##### **Actuarial Methods and Assumptions**

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price of Inflation	2.75%
Wage Growth	3.50%

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

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

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

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**NOTE 9 – PENSION PLANS (continued)**

**A. California State Teachers’ Retirement System (CalSTRS) (continued)**

**Actuarial Methods and Assumptions (continued)**

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

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

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 343,302,305
Current discount rate (7.10%)	168,645,710
1% increase (8.10%)	23,684,072

## FONTANA UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2022

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#### NOTE 9 – PENSION PLANS (continued)

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

###### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$23,833,225.

##### 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, 2020 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

###### Benefits Provided

###### Schools

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

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

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**NOTE 9 – PENSION PLANS (continued)**

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

**Benefits Provided (continued)**

**Schools (continued)**

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

	<b>Schools Pool (CalPERS)</b>	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
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%	7.00%
Required Employer Contribution Rate	20.91%	20.91%

**Safety**

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

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

	<b>Safety Risk Pool (CalPERS)</b>	
	On or before	On or after
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	7.0%-10.10%	10.0%-16.0%
Required Employer Contribution Rate	Varies	Varies

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

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**NOTE 9 – PENSION PLANS (continued)**

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

**Benefits Provided (continued)**

**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, 2022 are presented above, and the total District contributions were \$18,327,912.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$103,183,936. The net pension liability was measured as of June 30, 2021. 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:

	<b>Percentage Share of Schools Risk Pool</b>		
	<b>Fiscal Year Ending June 30, 2022</b>	<b>Fiscal Year Ending June 30, 2021</b>	<b>Change Increase/ (Decrease)</b>
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
Proportion of the Net Pension Liability	0.5016112%	0.5081865%	-0.0065753%
	<b>Percentage Share of Safety Risk Pool</b>		
	<b>Fiscal Year Ending June 30, 2022</b>	<b>Fiscal Year Ending June 30, 2021</b>	<b>Change Increase/ (Decrease)</b>
Measurement Date	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
Proportion of the Total Pension Liability	0.043134%	0.042785%	0.000350%
Proportion of the Fiduciary Net Position	0.044586%	0.045203%	-0.000616%

For the year ended June 30, 2022, the District recognized pension expense of \$12,731,381. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**FONTANA UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2022*

**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)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 18,327,912	\$ -
Net change in proportionate share of net pension liability	1,986,577	3,701,964
Difference between projected and actual earnings on pension plan investments	5,300,604	45,346,085
Changes of assumptions	-	-
Differences between expected and actual experience	3,303,585	240,455
Total	<u>\$ 28,918,679</u>	<u>\$ 49,288,505</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 (EARSLS) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSLS for the measurement period is 4.1 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
2022	\$ 4,957,790	\$ 13,436,132
2023	3,344,318	12,488,025
2024	2,218,372	11,762,554
2025	70,288	11,601,794
2026	-	-
Thereafter	-	-
Total	<u>\$ 10,590,767</u>	<u>\$ 49,288,505</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, 2020 and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Inflation Rate	2.50%
Salary Increases	Varies by entry age and service

# FONTANA UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2022

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## NOTE 9 – PENSION PLANS (continued)

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

#### Actuarial Methods and Assumptions (continued)

Post-retirement mortality rates are based on CalPERS experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 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 both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)

#### Discount Rate

The discount rate used to measure the total pension liability was 7.15%. 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 175,021,599
Current discount rate (7.15%)	103,183,936
1% increase (8.15%)	44,160,037



## FONTANA UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2022*

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#### **NOTE 9 – PENSION PLANS (continued)**

##### **C. Social Security**

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

##### **D. Payables to the Pension Plans**

At June 30, 2022, the District reported payables of \$3,488,836 and \$106,935 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2022.

#### **NOTE 10 – JOINT VENTURES**

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

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

#### **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

##### **A. State and Federal Allowances, Awards and Grants**

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

##### **B. Construction Commitments**

As of June 30, 2022, the District had commitments with respect to unfinished capital projects of approximately \$12.8 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, 2022.

# FONTANA UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2022

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### 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, 2022, the District participated in the Southern California ReLiEF public entity risk pool for property and liability insurance coverage above the self-insured retention amounts of \$25,000 for liability claims and \$10,000 for property claims. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2021-22, the District was self-funded for workers' compensation for the first \$750,000 of a claim, with excess coverage provided by Mid-West Employers (a fully insured program).

#### Employee Medical Benefits

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

#### Claims Liability

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

#### Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District's workers' compensation from July 1, 2020 to June 30, 2022:

	Workers' Compensation
Liability Balance, July 1, 2020	\$ 5,091,995
Claims and changes in estimates	2,398,479
Claims payments	<u>(1,828,595)</u>
Liability Balance, June 30, 2021	5,661,879
Claims and changes in estimates	3,048,837
Claims payments	<u>(1,277,576)</u>
Liability Balance, June 30, 2022	<u>\$ 7,433,140</u>
Assets available to pay claims at June 30, 2022	<u>\$ 17,947,954</u>

### NOTE 13 – ADJUSTMENTS FOR RESTATEMENT

The result of the implementation of GASB 87 was to increase the balance of capital assets and long-term debt at July 1, 2021, by \$1,329,779.

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*Required Supplementary Information*

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**FONTANA UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2022*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
<b>Revenues</b>				
LCFF sources	\$ 419,687,553	\$ 428,093,644	\$ 428,196,752	\$ 103,108
Federal sources	130,882,104	77,567,742	72,155,278	(5,412,464)
Other state sources	75,947,890	109,357,221	113,472,261	4,115,040
Other local sources	2,890,845	4,561,862	(930,868)	(5,492,730)
<b>Total Revenues</b>	<b>629,408,392</b>	<b>619,580,469</b>	<b>612,893,423</b>	<b>(6,687,046)</b>
<b>Expenditures</b>				
Current:				
Certificated salaries	230,465,394	243,361,941	240,649,094	2,712,847
Classified salaries	76,116,216	79,200,922	79,447,981	(247,059)
Employee benefits	169,034,352	165,995,182	186,028,952	(20,033,770)
Books and supplies	49,233,343	37,332,880	35,291,808	2,041,072
Services and other operating expenditures	75,864,397	71,913,370	62,755,586	9,157,784
Capital outlay	7,998,408	7,531,901	7,711,660	(179,759)
Other outgo	(767,504)	(633,172)	(584,402)	(48,770)
<b>Total Expenditures</b>	<b>607,944,606</b>	<b>604,703,024</b>	<b>611,300,679</b>	<b>(6,597,655)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,463,786	14,877,445	1,592,744	(13,284,701)
<b>Other Financing Sources and Uses</b>				
Interfund transfers out	-	(18,757,553)	(3,079)	18,754,474
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,463,786	(3,880,108)	1,589,665	5,469,773
Fund Balances, July 1, 2021	235,886,016	219,323,988	219,323,988	-
Fund Balances, June 30, 2022	\$ 257,349,802	\$ 215,443,880	220,913,653	\$ 5,469,773
<b>Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>				
Special Reserve Fund for Other than Capital Outlay			12,597,196	
<b>Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<b>\$ 233,510,849</b>	

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – Cafeteria Fund*  
*For the Fiscal Year Ended June 30, 2022*

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget - Pos (Neg)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Federal sources	\$ 43,301,245	\$ 25,572,269	\$ 27,181,969	\$ 1,609,700
Other state sources	2,080,960	1,379,622	1,433,599	53,977
Other local sources	131,079	165,000	(334,773)	(499,773)
<b>Total Revenues</b>	<b>45,513,284</b>	<b>27,116,891</b>	<b>28,280,795</b>	<b>1,163,904</b>
<b>Expenditures</b>				
Current:				
Classified salaries	8,905,448	9,109,021	8,458,663	650,358
Employee benefits	5,295,629	4,939,570	4,697,249	242,321
Books and supplies	27,129,129	14,068,351	11,797,188	2,271,163
Services and other operating expenditures	813,835	804,161	367,457	436,704
Transfers of indirect costs	27,866,460	449,037	403,047	45,990
Capital Outlay	582,783	1,208,373	482,741	725,632
<b>Total Expenditures</b>	<b>70,593,284</b>	<b>30,578,513</b>	<b>26,206,345</b>	<b>4,372,168</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,080,000)	(3,461,622)	2,074,450	5,536,072
<b>Other Financing Sources and Uses</b>				
Interfund Transfers In	-	-	3,079	3,079
Net Change in Fund Balance	(25,080,000)	(3,461,622)	2,077,529	5,539,151
Fund Balances, July 1, 2021	14,010,256	24,016,144	24,016,144	-
Fund Balances, June 30, 2022	\$ (11,069,744)	\$ 20,554,522	\$ 26,093,673	\$ 5,539,151

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS*  
*For the Fiscal Year Ended June 30, 2022*

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

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

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalPERS*  
*For the Fiscal Year Ended June 30, 2022*

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*Last Ten Fiscal Years\**

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

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



**FONTANA UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalSTRS*  
*For the Fiscal Year Ended June 30, 2022*

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*Last Ten Fiscal Years\**

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

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

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalPERS*  
*For the Fiscal Year Ended June 30, 2022*

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*Last Ten Fiscal Years\**

<b>CalPERS</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
Contractually required contribution	\$ 18,327,912	\$ 16,656,446	\$ 14,862,740	\$ 13,944,745
Contributions in relation to the contractually required contribution	<u>18,327,912</u>	<u>16,656,446</u>	<u>14,862,740</u>	<u>13,944,745</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>87,651,420</u>	<u>84,460,453</u>	<u>\$ 75,365,042</u>	<u>\$ 73,988,479</u>
Contributions as a percentage of covered payroll	<u>20.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Contractually required contribution	\$ 11,638,733	\$ 9,403,240	\$ 7,693,218	\$ 6,799,457
Contributions in relation to the contractually required contribution	<u>11,638,733</u>	<u>9,403,240</u>	<u>7,693,218</u>	<u>6,799,457</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 74,126,166</u>	<u>\$ 69,032,801</u>	<u>\$ 66,132,732</u>	<u>\$ 58,737,694</u>
Contributions as a percentage of covered payroll	<u>15.531%</u>	<u>13.621%</u>	<u>11.633%</u>	<u>11.576%</u>

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

## FONTANA UNIFIED SCHOOL DISTRICT

### Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2022

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

\* 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, 2022*

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

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

**FONTANA UNIFIED SCHOOL DISTRICT**

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
For the Fiscal Year Ended June 30, 2022*

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*				
	<b>2021-22</b> <b>2020-21</b>	<b>2020-21</b> <b>2019-20</b>	<b>2019-20</b> <b>2018-19</b>	<b>2018-19</b> <b>2017-18</b>	<b>2017-18</b> <b>2016-17</b>
District's proportion of net OPEB liability	0.5570%	0.5687%	0.5753%	0.5634%	0.5608%
District's proportionate share of net OPEB liability	\$ 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
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(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, 2022*

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

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

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

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

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

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

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

**Schedule of District Contributions**

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

**Schedule of Pension Contributions**

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

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

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

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

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

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2022*

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

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

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

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

*Change of assumptions* – The discount rate was changed from 2.21 percent to 2.16 percent since the previous valuation.

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*Supplementary Information*

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**FONTANA UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2022*

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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**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Jennifer Quezada, Ed.D.	President	2024
Joe Armendarez	Vice President	2024
Mars Serna	Member	2022
Adam Perez	Member	2022
Mary Sandoval	Member	2022

**DISTRICT ADMINISTRATORS**

Juan M. Lopez,  
*Interim Superintendent*

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

Monica Makiewicz, Ph.D.,  
*Associate Superintendent, Teaching & Learning*

Ryan DiGiulio,  
*Associate Superintendent, Business Services*

Oscar Dueñas,  
*Chief Information Technology and Innovation Officer*

Craig Baker  
*Assistant Superintendent, Student Services*

**FONTANA UNIFIED SCHOOL DISTRICT**

*Schedule of Average Daily Attendance*

*For the Fiscal Year Ended June 30, 2022*

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	<b>Second Period Report</b>	<b>Annual Report</b>
<b>Regular ADA &amp; Extended Year:</b>		
TK/Grades K-3	8,761.78	8,838.21
Grades 4-6	7,084.71	7,129.25
Grades 7-8	4,720.46	4,746.94
Grades 9-12	10,843.76	10,828.05
	<hr/>	<hr/>
Total Regular ADA	31,410.71	31,542.45
	<hr/>	<hr/>
<b>Special Education-Nonpublic, Nonsectarian Schools:</b>		
TK/Grades K-3	2.06	2.44
Grades 4-6	7.38	8.06
Grades 7-8	4.95	4.86
Grades 9-12	18.46	18.25
	<hr/>	<hr/>
Total Special Education-Nonpublic, Nonsectarian Schools	32.85	33.61
	<hr/>	<hr/>
Total ADA	31,443.56	31,576.06
	<hr/> <hr/>	<hr/> <hr/>

**FONTANA UNIFIED SCHOOL DISTRICT***Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2022*

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<u>Grade Level</u>	<u>Instructional Minute Requirement</u>	<u>Instructional Minutes Offered</u>	<u>Instructional Days Offered</u>	<u>Status</u>
Kindergarten	36,000	48,100	180	Complied
Grade 1	50,400	52,445	180	Complied
Grade 2	50,400	52,445	180	Complied
Grade 3	50,400	52,445	180	Complied
Grade 4	54,000	54,840	180	Complied
Grade 5	54,000	54,840	180	Complied
Grade 6	54,000	55,490	180	Complied
Grade 7	54,000	61,776	180	Complied
Grade 8	54,000	61,776	180	Complied
Grade 9	64,800	65,571	180	Complied
Grade 10	64,800	65,571	180	Complied
Grade 11	64,800	65,571	180	Complied
Grade 12	64,800	65,571	180	Complied

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2022*

General Fund	(Budget) 2023 <sup>2</sup>	2022 <sup>3</sup>	2021	2020
Revenues and other financing sources	\$ 598,990,442	\$ 612,893,423	\$ 620,168,267	\$ 507,576,139
Expenditures	637,892,675	611,300,679	545,994,133	502,904,424
Other uses and transfers out	3,247,937	3,079	-	5,275,027
Total outgo	641,140,612	611,303,758	545,994,133	508,179,451
Change in fund balance (deficit)	(42,150,170)	1,589,665	74,174,134	(603,312)
Ending fund balance	\$ 178,763,483	\$ 220,913,653	\$ 219,323,988	\$ 145,149,854
Available reserves <sup>1</sup>	\$ 25,554,903	\$ 36,149,462	\$ 36,951,438	\$ 118,349,642
Available reserves as a percentage of total outgo	4.0%	5.9%	6.8%	23.3%
Total long-term debt	\$ 725,533,810	\$ 733,483,212	\$ 974,179,623	\$ 867,748,496
Average daily attendance at P-2	31,645	31,444	N/A	34,680

The General Fund balance has increased over the past two years by \$75.7 million. The fiscal year 2022-23 adopted budget projects a decrease of \$42.2 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 2022-23 fiscal year. Long-term debt has decreased by \$134.3 million over the past two years.

Average daily attendance decreased by 3,236 compared to 2019-20. Budgeted ADA for 2022-23 is 31,645.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Revised Final Budget September, 2022.

<sup>3</sup> 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, 2022*

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	<b>Internal Service Fund</b>
June 30, 2022, annual financial and budget report (SACS) fund balances	\$ 10,726,835
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Removing JPA tracked within fund	<u>(501,796)</u>
Net adjustments and reclassifications	<u>(501,796)</u>
June 30, 2022, audited financial statement fund balances	<u><u>\$ 10,225,039</u></u>

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2022*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
<b>Federal Programs:</b>				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	\$ 4,166,375	
National School Lunch Program	10.555	13523	18,204,351	
USDA Donated Foods	10.555	13391	<u>1,628,929</u>	
Total Child Nutrition Cluster				\$ 23,999,655
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	2,068,258	
Child and Adult Care Food Program Cash in Lieu	10.558	13393	<u>138,433</u>	
Total Child and Adult Care Food Program Cluster				2,206,691
Pandemic EBT Local Administrative Grant	10.649	15644		<u>5,814</u>
Total U.S. Department of Agriculture				<u>26,212,160</u>
U.S. Department of Communications:				
Emergency Connectivity Fund Program	32.009	N/A		<u>741,740</u>
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Education Cluster:				
Adult Secondary Education	84.002	13978	295,940	
Adult Basic Education & ESL	84.002A	14508	295,647	
English Literacy & Civics Education	84.002A	14109	<u>107,548</u>	
Total Adult Education Cluster				699,135
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		15,406,254
Title II, Part A, Supporting Effective Instruction	84.367	14344		1,441,199
English Language Acquisition Grants Cluster				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	1,591,919	
Title III, Immigrant Education Program	84.365	15146	<u>59,432</u>	
Subtotal English Language Acquisition Grants Cluster				1,651,351
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		799,293
Strengthening Career and Tech. Education for the 21st Century (Perkins V): Adult, Sect. 132	84.048	14893		306,808
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	5,930,724	
Preschool Grants, Part B, Sec 619	84.173	13430	140,446	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	405,576	
Preschool Staff Development	84.173A	13431	1,531	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	76,639	
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	1,341,867	
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	<u>111,278</u>	
Total Special Education Cluster				8,008,061
Early Intervention Grants, Part C	84.181	23761		129,885
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006		274,241
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	1,018	
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	3,210,526	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	26,472,583	
Elementary and Secondary School Emergency Relief III (ESSER III) Learning Loss	84.425U	10155	9,884,536	
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	924,956	
ASES Rate Increase: ESSER III State Reserve Afterschool Programs	84.425	15535	<u>2,949,015</u>	
Subtotal Education Stabilization Fund				43,442,634
Total U.S. Department of Education				<u>72,158,861</u>
U.S. Department of Health & Human Services:				
Direct Federal to Local Program:				
Head Start	93.600	N/A		390,229
Passed through California Dept. of Education (CDE):				
Child Care and Development Fund Cluster				
COVID-19 Coronavirus Response and Relief Supplemental Appropriations (CRRSA)				
Act- One-time Stipend	93.575	15555	156,230	
Child Development: Federal Child Care, Center-based	93.596	13609	127,442	
Child Development: CARES Act General Child Care and Development (CCTR)	93.575	15549	<u>14,359</u>	
Subtotal Child Care and Development Fund Cluster				298,031
Total U.S. Department of Health & Human Services				<u>688,260</u>
Total Expenditures of Federal Awards				<u>\$ 99,801,021</u>

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

# FONTANA UNIFIED SCHOOL DISTRICT

## Note to the Supplementary Information

June 30, 2022

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### 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 Balances 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		\$ 101,070,000
Differences between Federal Revenues and Expenditures:		
Child and Adult Care Food Program	10.558	(67,501)
Nation School Lunch Program	10.555	(902,308)
Child Development: ARP California State Preschool Program One-time Stipend	93.575	(455,400)
Coronavirus Response and Relief Supplemental Appropriations Act- One-time Stipend	93.575	156,230
Total Schedule of Expenditures of Federal Awards		<u>\$ 99,801,021</u>



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*Other Independent Auditors' Reports*

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

Board of Education  
Fontana Unified School District  
Fontana, California

the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2022.

**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.

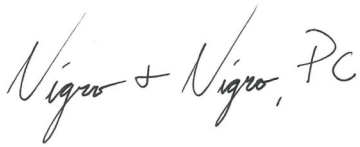
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

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

Murrieta, California  
October 19, 2022



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

Board of Education  
Fontana Unified School District  
Fontana, California

**Report on Compliance for Each Major Federal Program**

We have audited Fontana Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Fontana Unified School District's major federal programs for the year ended June 30, 2022. Fontana Unified School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Fontana Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fontana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Fontana Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

### **Report on Internal Control Over Compliance**

Management of Fontana Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fontana Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

Murrieta, California  
October 19, 2022



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Board of Education  
 Fontana Unified School District  
 Fontana, California

**Report on State Compliance**

We have audited Fontana Unified School District's compliance with the types of compliance requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Fontana Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2022.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Fontana Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Fontana Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes



Description	Procedures Performed
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	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

***Unmodified Opinion on Compliance with State Programs***

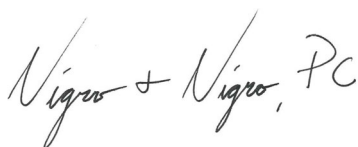
In our opinion, Fontana Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2022.

***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2022-001. Our opinion on each state program is not modified with respect to this matter.

***District's Response to Finding***

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



Murrieta, California  
October 19, 2022

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*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, 2022*

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***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>
84.425, 84.425C, 84.425D, 84.425U	<u>COVID-19 Education Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,994,031</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, 2022*

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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:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
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 2021-22.*

**FONTANA UNIFIED SCHOOL DISTRICT**  
*Federal Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2022*

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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 2021-22.*

**FONTANA UNIFIED SCHOOL DISTRICT**  
*State Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2022*

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

**FINDING 2022-001: SCHOOL ACCOUNTABILITY REPORT CARD (72000)**

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

**Condition:** All three reviewed SARCs indicated a "Good" rating in a category that was indicated as "Fair" on the FIT forms. Fontana High's FIT Form reported "Fair" in the interior category. Kaiser High's FIT Form reported "Fair" in the safety category. Randall Pepper Elementary's FIT reported a "Fair" in the interior category.

**Context:** SARC reported conditions did not match the FIT Form at three of the 14 schools tested: Fontana High, Kaiser High, Randall Pepper Elementary.

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

**Effect:** None.

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

**Views of responsible officials:** The District updated SARCs after discrepancies were identified.

**FONTANA UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2022*

<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2021-001: Capital Asset Approval</i>	<p>Assistance Listing # 84.425D - U.S. Department of Education, California Department of Education, Elementary and Secondary School Emergency Relief (ESSER) Fund</p> <p>Consistent with 2 CFR section 200.311 (real property), section 200.313 (equipment), and section 200.439 (equipment and other capital expenditures) ESF funds may be used to purchase equipment. Capital expenditures for general and special purpose equipment purchases are subject to prior approval by the Department of Education or the pass-through entity.</p> <p>The District purchased outdoor shade shelters with a per unit price that was above the capital threshold for federal purchases but did not obtain prior approval from the California Department of Education.</p>	50000	We recommend that the District obtain prior approval from the California Department of Education for all capital purchases from the Education Stabilization Fund.	Implemented
<i>Finding 2021-002: Instructional Materials</i>	<p>California Education Code Section 60119 requires that school districts conduct a public hearing regarding the sufficiency of textbooks and instructional materials. Furthermore, the District must provide 10-day notice of the public hearing. The notice must include the time, place, and purpose of the hearing and must be posted at a minimum of three public locations within the District.</p> <p>The District’s sufficiency of instructional materials public hearing was held on December 9, 2020. This was after the 8<sup>th</sup> week of school, which began on August 24, 2020. This hearing should have been held on or prior to the week of October 19.</p>	70000	We recommend that the District ensure that the instructional material public hearing is completed on or before the 8 <sup>th</sup> week of school.	Implemented



**FONTANA UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2022*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
<i>Finding 2021-003: California Clean Energy</i>	<p>Local Educational Agencies (LEAs) are required to submit a final project completion report to the California Clean Energy Commission 12-15 months after the energy expenditure plan is completely installed. An energy expenditure plan is considered complete when the LEA has completed all measures in the approved energy expenditure plan. A final project completion report is required for each approved energy expenditure plan.</p> <p>The District completed its project on April 24, 2019, but had not yet submitted the final report as of June 30, 2022.</p>	40000	We recommend that the District file the final report for this project. No future final reports will be required.	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, 2022, 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 October 19, 2022, on the financial statements of Fontana Unified School District.

The following observations and recommendations are not audit findings.

#### **ASSOCIATED STUDENT BODY (ASB) FUNDS**

**Observation:** During our testing of cash receipts, we noted several collections that were not deposited in a timely manner.

**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 often 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 outstanding deposits that had remained outstanding for more than two weeks.

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

**DISTRICT OFFICE**

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

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

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

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

Murrieta, California  
October 19, 2022