FONTANA UNIFIED SCHOOL DISTRICT

SAN BERNARDINO COUNTY

AUDIT REPORT

**For the Fiscal Year Ended
June 30, 2020**

NIGRO & NIGRO PC

FONTANA UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2020
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INDEPENDENT AUDITORS' REPORT

Board of Education
Fontana Unified School District
Fontana, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District, as of June 30, 2020, 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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 78 to 81 and the schedule of expenditures of federal awards on page 82 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 77 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 January 4, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Nigro & Nigro, PC

Murrieta, California
January 4, 2021

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, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's financial status decreased overall as a result of this year's operations. Net position of governmental activities decreased by $34.1 million, or 32.7%.
- Governmental expenses were about $587.6 million. Revenues were about $553.5 million.
- The District acquired $13.3 million in new capital assets during the year.
- The District decreased its outstanding long-term debt other than pensions by $8.3 million. This was primarily due to paying down outstanding general obligation bonds.
- Grades K-12 average daily attendance (ADA) decreased by 264, or 0.8%.
- Governmental funds increased by $7.3 million, or 2.6%.
- Reserves for the General Fund increased by $0.8 million, or 0.7%. Revenues were $507.6 million and expenditures, other uses, and transfers out were $508.2 million.

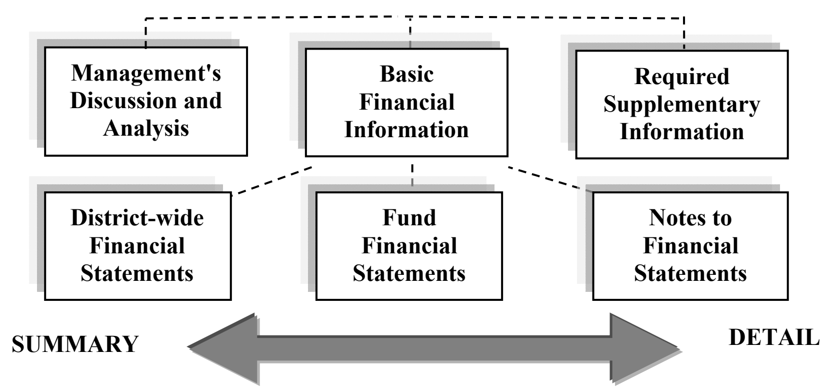
OVERVIEW OF THE FINANCIAL STATEMENTS

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 agent for the benefit of others to whom the resources belong.

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

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



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.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

2) ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2020, than it was the year before – decreasing 32.7% to $70.2 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase (Decrease)
	2020	**2019**	
Assets			
Current assets	$ 377,212,376	$ 349,341,453	$ 27,870,923
Capital assets	517,545,263	538,283,652	(20,738,389)
Total assets	894,757,639	887,625,105	7,132,534
Deferred outflows of resources	163,659,246	161,241,723	2,417,523
Liabilities			
Current liabilities	79,229,956	60,438,530	18,791,426
Long-term liabilities	384,011,739	392,263,712	(8,251,973)
Net pension liability	483,736,757	468,258,631	15,478,126
Total liabilities	946,978,452	920,960,873	26,017,579
Deferred inflows of resources	41,198,959	23,526,211	17,672,748
Net position			
Net investment in capital assets	343,932,930	346,903,169	(2,970,239)
Restricted	112,754,802	109,746,270	3,008,532
Unrestricted	(386,448,258)	(352,269,695)	(34,178,563)
Total net position	$ 70,239,474	$ 104,379,744	$ (34,140,270)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues decreased 1.9% to $553.5 million (See Table A-2). The decrease is due primarily to a decrease in unrestricted federal and state aid.

The total cost of all programs and services increased 1.0% to $587.6 million. The District's expenses are predominantly related to educating and caring for students, 78.4%. The purely administrative activities of the District accounted for just 4.2% of total costs. A significant contributor to the increase in costs was a loss on disposal of work-in-process capital assets.

Table A-2: Statement of Activities

	Governmental Activities		Variance
	2020	2019	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for services	$ 11,153,513	$ 8,738,009	$ 2,415,504
Operating grants and contributions	100,608,402	103,136,590	(2,528,188)
Capital grants and contributions	176,021	52,251	123,770
General Revenues:			
Property taxes	65,269,526	65,533,787	(264,261)
Federal and state aid not restricted	363,178,733	371,947,281	(8,768,548)
Other general revenues	13,070,939	14,804,996	(1,734,057)
Total Revenues	553,457,134	564,212,914	(10,755,780)
Expenses			
Instruction-related	394,107,799	393,804,181	303,618
Pupil services	66,374,886	60,068,029	6,306,857
Administration	24,781,195	25,003,655	(222,460)
Plant services	58,232,888	58,662,807	(429,919)
Loss on disposal of capital assets	11,098,006	-	11,098,006
All other activities	33,002,630	44,232,401	(11,229,771)
Total Expenses	587,597,404	581,771,073	5,826,331
Increase (decrease) in net position	$ (34,140,270)	$ (17,558,159)	$ (16,582,111)
Total net position	$ 70,239,474	$ 104,379,744	$ (34,140,270)

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 $286.2 million, which is above last year's ending fund balance of $278.9 million. The primary cause of the increased fund balance is an increased balance in the Capital Facilities Fund due to increased developer fees received.

Table A-3: The District's Fund Balances

	Fund Balances				
Fund	July 1, 2019	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2020
General Fund	$ 145,753,166	$ 507,576,139	$ 502,904,424	$ (5,275,027)	$ 145,149,854
Adult Education Fund	462,656	2,038,715	1,863,421	-	637,950
Child Development Fund	1,506,905	9,052,904	8,989,321	37,088	1,607,576
Cafeteria Fund	10,158,766	29,190,991	28,691,080	60,136	10,718,813
Deferred Maintenance Fund	-	2	1	-	1
Special Reserve Fund (Other Than Capital Outlay)	12,311,873	243,299	-	-	12,555,172
Capital Facilities Fund	26,349,740	9,156,769	1,959,381	-	33,547,128
County School Facilities Fund	2,713,954	176,021	13,651	-	2,876,324
Special Reserve Fund (Capital Outlay)	26,988,657	490,725	5,079,207	5,177,803	27,577,978
Capital Outlay Fund for Blended Component Units	32,382,649	6,992,917	2,521,594	22,412	36,876,384
Bond Interest and Redemption Fund	20,231,997	9,081,907	14,696,238	-	14,617,666
	$ 278,860,363	$ 574,000,389	$ 566,718,318	$ 22,412	$ 286,164,846

General Fund Budgetary Highlights

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

- Revenues – increased by $20.2 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased $5.6 million due to revisions to anticipated benefits costs.
- Other non-personnel expenses – decreased $1.9 million to re-budget carryover funds and revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about $4.3 million, the actual results for the year show that revenues exceeded expenditures by roughly $4.7 million. Actual revenues were $1.4 million less than anticipated, and expenditures were $1.8 million less than budgeted.

That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2020, that will be carried over into the 2020-21 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019-20 the District had invested $13.3 million in new capital assets, related to construction in progress, site improvements, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded $22.9 million.

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

	Governmental Activities		Variance
	2020	2019	Increase (Decrease)
Land	$ 59,340,012	$ 59,340,012	$ -
Improvement of sites	30,066,935	28,977,110	1,089,825
Buildings	404,713,915	414,139,662	(9,425,747)
Equipment	19,331,784	20,746,980	(1,415,196)
Construction in progress	4,092,617	15,079,888	(10,987,271)
Total	$ 517,545,263	$ 538,283,652	$ (20,738,389)

Long-Term Debt

At year-end the District had $384.0 million in long-term debt other than pensions– a decrease of 2.1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

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

	Governmental Activities		Variance
	2020	2019	Increase (Decrease)
General obligation bonds	$ 218,867,677	$ 224,674,141	$ (5,806,464)
Certificates of participation	26,814,776	28,434,944	(1,620,168)
QZABs	387,046	762,728	(375,682)
Capital leases	298,133	477,013	(178,880)
Compensated absences	3,276,534	2,379,672	896,862
Claims liability	5,091,995	5,717,599	(625,604)
Other postemployment benefits	129,275,578	129,817,615	(542,037)
Total	$ 384,011,739	$ 392,263,712	$ (8,251,973)

Net pension liability increased during the year by $15.5 million.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State Legislature passed a final budget package on June 26, 2020. The final budget package assumed that $2 billion in federal funds would be forthcoming and took the Governor's approach in the May Revision to make other spending reductions contingent on other federal money. In addition, relative to the June 15 initial package, the final package made several changes, including increasing school deferrals by $3.5 billion (assuming no federal money is forthcoming), increasing revenue assumptions by more than $1 billion, and eliminating the plan to reinstate General Fund payment deferrals. The Governor signed the 2020-21 Budget Act and related budget legislation on June 29, 2020.

Proposition 98

Proposition 98 Establishes Minimum Funding Level for Schools and Community Colleges
This minimum funding requirement is commonly called the minimum guarantee. The state calculates the minimum guarantee by comparing three main formulas or "tests". Each test takes into account certain inputs, such as state General Fund revenue, per capita personal income, and K-12 student attendance. The state can choose to fund at the minimum guarantee or any level above it. It also can suspend the guarantee with a two-thirds vote of each house of the Legislature, allowing the state to provide less funding than the formulas require that year. The state meets the guarantee through a combination of state General Fund and local property tax revenue.

Minimum Funding Requirement Down Significantly in 2019-20 and 2020-21
Estimates of the minimum guarantee under the June 2020 budget plan have dropped significantly compared with June 2019 estimates. For 2019-20, the minimum requirement is down $3.4 billion (4.2 percent). For 2020-21, the minimum requirement is down $6.8 billion (8.7 percent) from the revised 2019-20 level and $10.2 billion (12.5 percent) from the 2019-20 level estimated in June 2019. These drops mainly reflect reductions in state General Fund revenue. Test 1 remains operative in both years, with the drop in the General Fund portion of the guarantee equal to nearly 40 percent of the drop in revenues. The local property tax portion of the guarantee, by contrast, grows slowly from 2019-20 to 2020-21.

Budget Plan Implements Significant Payment Deferrals
In both 2019-20 and 2020-21, the budget plan reduces school and community college funding to the lower minimum requirement. It implements these reductions primarily by deferring $12.5 billion in payments. (When the state defers payments from one fiscal year to the next, the state can reduce spending while allowing school districts to maintain programs by borrowing or using cash reserves.) Of the $12.5 billion, $11 billion applies to K-12 schools and $1.5 billion applies to community colleges. Although the budget plan authorized the Department of Finance to rescind up to $6.6 billion of the deferrals if the state received additional federal funding by October 15, 2020, Congress did not approve any additional funds prior to this deadline.

Makes a Few Other Spending Adjustments
In addition to the deferrals, the budget plan makes a few other adjustments to school and community college funding. Most notably, it does not provide the 2.31 percent statutory cost-of-living adjustment for school and community college programs in 2020-21. The budget plan also uses $833 million in one-time funds to cover costs for the K-12 Local Control Funding Formula (LCFF) and community college apportionments in 2019-20 and 2020-21. These one-time funds consist of $426 million in unspent prior-year funds and a $407 million settle-up payment. In addition, the budget plan withdraws the entire $377 million the state deposited into the Proposition 98 Reserve in the fall of 2019. (Formulas in the State Constitution govern Proposition 98 Reserve deposits and withdrawals.) Finally, the budget plan obtains $240 million in savings ($110 million in 2019-20 and $130 million in 2020-21) from eliminating unallocated State Preschool slots.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Proposition 98 (continued)

Creates Supplemental Obligation to Increase Funding Beginning in 2021-22
This obligation has two parts. First, it requires the state to make temporary payments on top of the Proposition 98 guarantee beginning in 2021-22. Each payment will equal 1.5 percent of annual General Fund revenue. The state can allocate these payments for any school or community college purpose. Payments will continue until the state has paid $12.4 billion—the amount of funding schools and community colleges could have received under Proposition 98 if state revenues had continued to grow. (Technically, the obligation equals the total difference between the Test 1 and Test 2 funding levels in 2019-20 and 2020-21.) Second, the obligation requires the state to increase the minimum share of General Fund revenue allocated to schools and community colleges from 38 percent to 40 percent on an ongoing basis. This increase is set to phase in over the 2022-23 and 2023-24 fiscal years.

K-12 Education

Proposition 98 Funding Decreases 12 Percent
The budget package includes $62.5 billion in Proposition 98 funding for K-12 education in 2020-21—$8.7 billion (12.2 percent) less than the 2019-20 Budget Act level.

Defers $11 Billion in K-12 Payments, Allows Exemptions in Limited Circumstances
The state distributes funding for LCFF and special education following a monthly payment schedule established in law. The budget plan modifies this schedule in 2019-20 to defer $1.9 billion in payments to the following fiscal year. In 2020-21, the budget plan maintains these deferrals and adopts $9.1 billion in additional deferrals. Under the modified schedule, portions of the payments otherwise scheduled for the months of February through June will be paid over the July through November period. The total amount deferred equates to about 16 percent of all state and local funding schools receive for LCFF and special education, or 24 percent of the General Fund allocated for these programs. If a district or charter school can demonstrate it would be unable to meet its financial obligations because of the deferrals, and has exhausted all other sources of internal and external borrowing, it can apply for an exemption. The law allows the Department of Finance, State Controller, and State Treasurer to authorize up to $300 million in deferral exemptions per month. If these exemption requests exceed the funding available, the earliest applications will be approved first.

Addresses Historically Low-Funded Special Education Regions
Most state special education funding is provided to Special Education Local Plan Areas (SELPAs) based on total student attendance within the area. (Most SELPAs are regional collaborations of neighboring districts, county offices of education [COEs], and charter schools, though some consist of only a single large district.) Each SELPA receives a unique per-student rate linked to certain historical factors. In 2019-20, these per-student rates varied from $557 to more than $900. The budget provides $545 million to bring low-funded SELPAs to a new rate of $625 per student. This rate is roughly equivalent to the 93rd percentile of current rates.

Allocates $6.4 Billion in One-Time Federal Funding
The budget package allocates $6.4 billion in one-time federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for K-12 education. The majority of funding ($4.8 billion) is provided for learning loss mitigation. The budget also includes $1.5 billion that can be used for a variety of activities and is distributed based on counts of low-income and disadvantaged children. The remaining funds are used to provide higher reimbursement rates for some school meals, create a competitive grant program for implementing the community schools model, and cover state costs of allocating and overseeing how CARES Act funds are spent.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Funds Learning Loss Mitigation Activities
The budget package provides $5.3 billion in one-time funding for activities mitigating learning loss due to coronavirus disease 2019 (COVID-19) school closures. This amount consists of $4.4 billion from the federal Coronavirus Relief Fund, $540 million Proposition 98 General Fund, and $355 million from the federal Governor's Emergency Education Relief Fund. Allocations from the Coronavirus Relief Fund can be used to cover eligible costs incurred between March 1, 2020 and December 30, 2020, while the remainder of the funding covers costs incurred between March 13, 2020 and September 30, 2022. Allowable activities include expanding learning supports, increasing instructional time, offering additional academic services (such as diagnostic assessments and devices and connectivity for distance learning), and addressing other barriers to learning (such as mental health services, professional development for teachers and parents, and student meals). Of this funding, $2.9 billion is to be allocated based on LCFF supplemental and concentration grants, $1.5 billion based on the number of students with disabilities, and $980 million based on total LCFF allocation.

Funds Schools Based on 2019-20 Attendance Levels, Allows Growth Under Certain Conditions
For funding purposes, the state ordinarily credits school districts with their average daily attendance in the current or prior year, whichever is higher. Charter schools and COEs are funded according to their attendance in the current year only. In 2020-21, however, the state will not collect average daily attendance data. Instead, districts, charter schools, and COEs will be funded according to their 2019-20 attendance levels unless they had previously budgeted for attendance growth. Any attendance growth for a district or charter school is limited to the lower of its (1) previously projected increase in enrollment or attendance, as documented in its budget, or (2) actual increase in enrollment from October 2019 to October 2020. (For this calculation, enrollment numbers are converted to an equivalent amount of average daily attendance by adjusting them for the statewide average absence rate.) The trailer legislation also allows a few other attendance-related adjustments. Most notably, if a charter school closes during the 2020-21 school year, the attendance it previously generated will be credited to its sponsoring school district.

Modifies Instructional Requirements to Allow for Distance Learning
The budget package suspends requirements for annual instructional minutes for 2020-21 to provide additional flexibility to schools and allows minimum instructional day requirements be met through a combination of in-person instruction and distance learning. The budget package also sets expectations for distance learning. Among other specified activities, distance learning must be substantially equivalent to in-person instruction; include daily live interaction between teachers and students; and provide appropriate supports to students with disabilities, English learners, and other student subgroups.

Includes Additional Fiscal Flexibility in a Few Areas
Budget trailer legislation includes several changes to provide more spending flexibility for school districts:

- For the purposes of calculating minimum routine maintenance deposits, excludes one-time funding for state pension payments on behalf of school districts, learning loss mitigation funds, and federal Elementary and Secondary School Emergency Relief funds. Typically, school districts receiving funding from the state's School Facility Program are required to establish a restricted account for routine maintenance of school facilities and deposit 3 percent of the district's annual expenditures.

- Allows for proceeds from the sale or lease of surplus property purchased entirely with local funds to be used for one-time general fund purposes through 2023-24.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

K-12 Education (continued)

Includes Additional Fiscal Flexibility in a Few Areas (continued)

- For the purpose of spending restricted lottery revenues, permanently expands the definition of instructional materials to also include laptop computers and devices that provide internet access. Schools and community colleges receive about $450 million in lottery revenues annually that must be spent on instructional materials.

- Allows the California Department of Education (CDE) to waive several programmatic requirements for the After School Education and Safety program.

Repurposes Prior Pension Payment to Reduce District Costs Over the Next Two Years
School district pension costs have been rising relatively quickly over the past several years. To help mitigate future cost increases, the 2019-20 budget plan included $2.3 billion non-Proposition 98 General Fund to make a supplemental pension payment on behalf of schools and community colleges. Of this amount, $1.6 billion was for the California State Teachers' Retirement System and $660 million was for the California Public Employees' Retirement System. (Nearly all school employees are covered by one of these two pension systems.) At the time, the state estimated that the supplemental payment could reduce district pension costs by roughly 0.3 percent of annual pay over the next few decades. The 2020-21 budget plan repurposes this payment to reduce pension costs by a larger amount over the next two years. Specifically, districts will receive cost savings of approximately 2.2 percent of pay in 2020-21 and 2021-22, but will not experience savings over the following decades.

All of these factors were considered in preparing the Fontana Unified School District budget for the 2020-21 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, 2020

	Total Governmental Activities
ASSETS	
Deposits and investments	$ 296,350,671
Accounts receivable	80,096,625
Inventories	158,473
Prepaid expenses	606,607
Capital assets:	
Non-depreciable assets	63,432,629
Depreciable assets	825,594,410
Less accumulated depreciation	(371,481,776)
Total assets	894,757,639
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	5,482,738
Deferred outflows from OPEB	12,253,650
Deferred outflows from pensions	145,922,858
Total deferred outflows of resources	163,659,246
LIABILITIES	
Accounts payable	78,863,409
Unearned revenue	366,547
Long-term liabilities other than pensions:	
Portion due or payable within one year	12,480,778
Portion due or payable after one year	371,530,961
Net pension liability	483,736,757
Total liabilities	946,978,452
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	5,217,601
Deferred inflows from pensions	35,981,358
Total deferred inflows of resources	41,198,959
NET POSITION	
Net investment in capital assets	343,932,930
Restricted for:	
Capital projects	64,001,430
Debt service	14,617,666
Educational programs	25,210,224
Self-insurance	8,925,482
Unrestricted	(386,448,258)
Total net position	$ 70,239,474

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2020

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instructional Services:					
Instruction	$ 311,313,014	$ 625,304	$ 46,468,385	$ 176,021	$ (264,043,304)
Instruction-Related Services:					
Supervision of instruction	43,235,217	558,237	15,700,912	-	(26,976,068)
Instructional library, media and technology	6,714,545	591	(726,124)	-	(7,440,078)
School site administration	32,845,023	504,731	347,533	-	(31,992,759)
Pupil Support Services:					
Home-to-school transportation	6,167,023	-	-	-	(6,167,023)
Food services	29,046,078	661,948	26,399,891	-	(1,984,239)
All other pupil services	31,161,785	33,012	5,015,050	-	(26,113,723)
General Administration Services:					
Data processing services	17,699,499	-	5,109	-	(17,694,390)
Other general administration	7,081,696	83,067	2,816,335	-	(4,182,294)
Plant services	58,232,888	610,141	111,055	-	(57,511,692)
Ancillary services	107,486	-	-	-	(107,486)
Community services	18,486	366	88	-	(18,032)
Enterprise activities	110,266	-	-	-	(110,266)
Interest on long-term debt	9,708,602	-	-	-	(9,708,602)
Other outgo	115,447	8,076,116	4,470,168	-	12,430,837
Depreciation (unallocated)	22,942,343	-	-	-	(22,942,343)
Total Governmental Activities	$ 576,499,398	$ 11,153,513	$ 100,608,402	$ 176,021	(464,561,462)

General Revenues:	
Property taxes	65,269,526
Federal and state aid not restricted to specific purpose	363,178,733
Interest and investment earnings	4,178,939
Interagency revenues	41,502
Miscellaneous	8,850,498
Gain/(loss) on disposal of capital assets	(11,098,006)
Total general revenues	430,421,192
Change in net position	(34,140,270)
Net position - July 1, 2019	104,379,744
Net position - June 30, 2020	$ 70,239,474

FONTANA UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 165,046,992	$ 5,845,990	$ 114,862,933	$ 285,755,915
Accounts receivable	68,893,645	9,309,195	1,834,495	80,037,335
Due from other funds	4,770,323	225,978	5,189,720	10,186,021
Inventories	-	158,473	-	158,473
Prepaid expenditures	606,607	-	-	606,607
Total Assets	$ 239,317,567	$ 15,539,636	$ 121,887,148	$ 376,744,351
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 72,877,017	$ 2,095,327	$ 1,585,832	$ 76,558,176
Due to other funds	8,735,524	2,725,496	2,193,762	13,654,782
Unearned revenue	-	-	366,547	366,547
Total Liabilities	81,612,541	4,820,823	4,146,141	90,579,505
Fund Balances				
Nonspendable	706,607	165,829	-	872,436
Restricted	12,436,022	10,552,984	117,550,870	140,539,876
Assigned	26,212,755	-	190,137	26,402,892
Unassigned	118,349,642	-	-	118,349,642
Total Fund Balances	157,705,026	10,718,813	117,741,007	286,164,846
Total Liabilities and Fund Balances	$ 239,317,567	$ 15,539,636	$ 121,887,148	$ 376,744,351

Total fund balances - governmental funds			$ 286,164,846
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
	Capital assets at historical cost	889,027,039	
	Accumulated depreciation	(371,481,776)	
	Net:		517,545,263
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			5,482,738
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(2,199,903)
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	218,867,677	
	Certificates of participation payable	26,814,776	
	QZAB bonds payable	387,046	
	Capital lease payable	298,133	
	Compensated absences	3,276,534	
	Other postemployment benefits payable	129,275,578	
	Total:		(378,919,744)
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(483,736,757)
In governmental funds, deferred outflows and inflows of resources relating to pensions and other post employement 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	158,176,508	
	Deferred inflows of resources	(41,198,959)	
	Net:		116,977,549
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:			8,925,482
Total net position - governmental activities			$ 70,239,474

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 404,437,855	$ -	$ -	$ 404,437,855
Federal sources	23,703,286	26,741,716	889,085	51,334,087
Other state sources	66,768,866	1,582,311	8,425,850	76,777,027
Other local sources	12,909,431	866,964	27,675,025	41,451,420
Total Revenues	507,819,438	29,190,991	36,989,960	574,000,389
EXPENDITURES				
Current:				
Instruction	307,899,139	-	7,416,632	315,315,771
Instruction-related services:				
Supervision of instruction	42,300,003	-	2,034,866	44,334,869
Instructional library, media and technology	4,571,995	-	-	4,571,995
School site administration	31,356,059	-	463,568	31,819,627
Pupil support services:				
Home-to-school transportation	5,569,168	-	-	5,569,168
Food services	574,754	26,358,772	25,761	26,959,287
All other pupil services	29,802,436	-	541,116	30,343,552
Ancillary services	107,486	-	-	107,486
Community services	18,416	-	-	18,416
Enterprise activities	5	-	-	5
General administration services:				
Data processing services	16,849,971	-	-	16,849,971
Other general administration	6,758,523	(1)	-	6,758,522
Plant services	51,859,448	13,916	1,861,479	53,734,843
Transfers of indirect costs	(1,188,042)	862,514	325,528	-
Intergovernmental	115,447	-	-	115,447
Capital outlay	6,130,736	1,455,879	5,059,816	12,646,431
Debt service:				
Principal	178,880	-	11,482,628	11,661,508
Interest	-	-	5,911,420	5,911,420
Total Expenditures	502,904,424	28,691,080	35,122,814	566,718,318
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,915,014	499,911	1,867,146	7,282,071
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	60,136	5,214,891	5,275,027
Interfund transfers out	(5,275,027)	-	-	(5,275,027)
Other financing sources	-	-	22,412	22,412
Total Other Financing Sources and Uses	(5,275,027)	60,136	5,237,303	22,412
Net Change in Fund Balances	(360,013)	560,047	7,104,449	7,304,483
Fund Balances, July 1, 2019	158,065,039	10,158,766	110,636,558	278,860,363
Fund Balances, June 30, 2020	$ 157,705,026	$ 10,718,813	$ 117,741,007	$ 286,164,846

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, 2020

Total net change in fund balances - governmental funds		$ 7,304,483
Amounts reported for governmental activities in the statement of activities are different because:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:		
Expenditures for capital outlay	13,301,960	
Depreciation expense	(22,942,343)	
Net:		(9,640,383)
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:		(11,098,006)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were:		11,661,508
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. Deferred amounts on refunding amortized during the year were:		(491,455)
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was:		1,484,853
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest earned less accreted interest paid during the year was:		(5,165,167)
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:		195,708
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:		(896,862)
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:		(30,098,833)
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:		398,974
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:		2,204,910
Change in net position of governmental activities		$ (34,140,270)

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2020

	Governmental Activities Internal Service Fund
ASSETS	
Deposits and investments	$ 10,594,756
Accounts receivable	59,290
Due from other funds	3,505,187
Total assets	14,159,233
LIABILITIES	
Accounts payable	105,330
Due to other funds	36,426
Long-term liabilities:	
Estimated liability for open claims and IBNRs	5,091,995
Total liabilities	5,233,751
NET POSITION	
Restricted	$ 8,925,482

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	$ 3,508,115
Other local revenues	15,065
Total operating revenues	3,523,180
OPERATING EXPENSES	
Payments for personnel costs	349,406
Payments for materials and supplies	7,469
Payments for claims and other operating expenses	1,164,066
Total operating expenses	1,520,941
OPERATING INCOME (LOSS)	2,002,239
NON-OPERATING REVENUES	
Interest income	202,671
Change in net position	2,204,910
Net position, July 1, 2019	6,720,572
Net position, June 30, 2020	$ 8,925,482

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2020

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from in-district premiums	$ 3,515,466
Payments to employees and fringe benefits	(353,142)
Payments to vendors and suppliers	(6,009)
Payments on insurance claims	(1,789,670)
Other receipts (payments)	17,350
Net cash provided (used) by operating activities	1,383,995
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	197,399
Net increase (decrease) in cash and cash equivalents	1,581,394
Cash and cash equivalents, July 1, 2019	9,013,362
Cash and cash equivalents, June 30, 2020	$ 10,594,756
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 2,002,239
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Receivables, net	2,285
Due from other funds	7,351
Estimated liability for open claims and IBNRs	(625,604)
Accounts payable and accrued liabilities	1,460
Due to other funds	(3,736)
Net cash provided (used) by operating activities	$ 1,383,995

FONTANA UNIFIED SCHOOL DISTRICT

Statement of Fiduciary Net Position
June 30, 2020

	Agency Funds	Trust Funds		
ASSETS	Student Body Funds	Retiree Benefits Fund	Pension Trust Fund	Total
Deposits and investments	$ 1,626,270	$ 62,853,546	$ 15,504,593	$ 79,984,409
Accounts receivable	(2,623)	67	-	(2,556)
Inventories - supplies and materials	164,788	-	-	164,788
Miscellaneous	21,210	-	-	21,210
Total assets	$ 1,809,645	62,853,613	15,504,593	80,167,851
LIABILITIES				
Accounts payable	$ 19,175	-	-	19,175
Due to student groups	1,790,470	-	-	1,790,470
Total liabilities	$ 1,809,645	-	-	1,809,645
NET POSITION				
Restricted for postemployment benefits		$ 62,853,613	$ 15,504,593	$ 78,358,206

FONTANA UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2020

	Trust Funds		
	Retiree Benefits Fund	Pension Trust Fund	Totals
ADDITIONS			
Interest	$ 2,109,659	$ -	$ 2,109,659
Increase in fair value of investments	409,195	937,089	1,346,284
In-district contributions	8,214,856	-	8,214,856
Total Additions	10,733,710	937,089	11,670,799
DEDUCTIONS			
Operating expenses	278,611	34,772	313,383
Change in net position	10,455,099	902,317	11,357,416
Net position - July 1, 2019	52,398,514	14,602,276	67,000,790
Net position - June 30, 2020	$ 62,853,613	$ 15,504,593	$ 78,358,206

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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

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

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

Major Governmental Funds
The District reports the following major governmental funds:

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

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

Non-Major Governmental Funds
The District reports the following non-major governmental funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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

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

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

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

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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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

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

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

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

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

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

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

The 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.

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.

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

3. Revenues - Exchange and Non-Exchange Transactions

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

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

C. Budgetary Data

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

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.

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.

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. Postemployment Benefits Other Than Pensions (OPEB)

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

8. Pensions

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

9. Fund Balances

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Fund Balances (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.

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **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.

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.

I. New GASB Pronouncement

In May 2020, the GASB issued Statement No. 95. The primary objective of this Statement is to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncement (continued)

- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update-2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update-2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in *each* pronouncement as originally issued.

J. Future Accounting Pronouncements
GASB pronouncements which will be effective in future periods, are as follows:

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

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

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

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

   The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

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

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

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

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

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

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

   This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

4. (continued)
The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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

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

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

   The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

6. In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

   - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
   - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

6. (continued)

- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by topic.

7. In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depending on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

   Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

7. (continued)
The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

   - Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
   - Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
   - Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
   - Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
   - Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
   - Clarifying the definition of *reference rate,* as it is used in Statement 53, as amended

   Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

   The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

8. In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

   This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

8. (continued)
This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases,* as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA.

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement).

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination.

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2020 are classified in the accompanying financial statements as follows:

Governmental funds	$	285,755,915
Proprietary funds		10,594,756
Governmental Activities		296,350,671
Fiduciary funds		79,984,409
Total deposits and investments	$	376,335,080

Deposits and investments as of June 30, 2020 consist of the following:

Cash on hand and in banks	$	1,626,270
Cash in revolving fund		257,356
Investments		374,451,454
Total deposits and investments	$	376,335,080

Investment security ratings reported as of June 30, 2020, are defined by Morningstar or Standard and Poors.

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2020, 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)
As of June 30, 2020, $1,642,854 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

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

Maturities of investments held at June 30, 2020, consisted of the following:

		Maturity			
Investment maturities:	Reported Amount	Less Than One Year	One Year Through Five Years	Fair Value Measurement	Rating
Cash in County	$ 270,403,901	$ 270,403,901		uncategorized	N/A
US Bank Money Market	25,704,055	25,704,055	-	Level 2	N/A
Benefit Trust Company:					
Fixed Income	32,979,513	32,979,513	-	Level 2	N/A
Domestic Equities	20,085,637	20,085,637	-	Level 2	N/A
International Equities	5,330,160	5,330,160	-	Level 2	N/A
Real Estate	4,443,595	4,443,595	-	Level 2	N/A
Public Agency Retirement System:					
Vanguard Conservative Fund	15,504,593	15,504,593	-	Level 2	N/A
Total	$ 374,451,454	$ 374,451,454	$ -		

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, 2020, 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, 2020, 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	24.7%
Benefit Trust Company:	
Fixed Income	31.7%
Domestic Equities	19.3%
International Equities	5.1%
Public Agency Retirement System:	
Vanguard Conservative Fund	14.9%

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, 2020, consisted of the following:

	Governmental Funds				Proprietary Fund	Fiduciary Fund
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Totals	Self-Insurance Fund	Retiree Benefit Fund
Federal Government:						
Categorical aid programs	$ 7,476,682	$ 8,824,423	$ 339,831	$ 16,640,936	$ -	$ -
State Government:						
LCFF	55,384,187	-	-	55,384,187	-	-
Lottery	1,804,229	-	-	1,804,229	-	-
Special education	2,002,830	-	-	2,002,830	-	-
Categorical aid programs	-	384,142	103,327	487,469	-	-
Other state resources	864,706	-	123,604	988,310	-	-
Local:						
Interest	848,074	23,806	337,476	1,209,356	60,000	67
Other local resources	512,937	76,824	930,257	1,520,018	(710)	-
Total	$ 68,893,645	$ 9,309,195	$ 1,834,495	$ 80,037,335	$ 59,290	$ 67

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2020, consisted of the following:

	Due From Other Funds					
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Total
General Fund	$ -	$ 225,978	$ 5,189,720	$ 5,415,698	$ 3,319,826	$ 8,735,524
Cafeteria Fund	2,619,973	-	-	2,619,973	105,523	2,725,496
Non-Major Governmental Funds	2,113,924	-	-	2,113,924	79,838	2,193,762
Self-Insurance Fund	36,426	-	-	36,426	-	36,426
Total	$ 4,770,323	$ 225,978	$ 5,189,720	$ 10,186,021	$ 3,505,187	$ 13,691,208

General Fund due to Adult Education Fund for computer user fees and indirect cost	$ 11,917
General Fund due to Cafeteria Fund for COVID expenses, salary costs, and bad debt	225,978
General Fund due to Special Reserve Fund for Capital Outlay Projects for redevelopment	5,177,803
General Fund due to Self-Insurance Fund for district premiums and contributions	3,319,826
Adult Education Fund due to General Fund for indirect costs, benefits, and temporary loan	463,817
Adult Education Fund due to Self-Insurance Fund for workers compensation	13,520
Child Development Fund due to General Fund for printing, indirect costs, and suspense account transfer	1,397,014
Child Development Fund due to Self-Insurance Fund for workers compensation	66,318
Cafeteria Fund due to General Fund for fuel charges, indirect costs, suspense account transfer	2,619,973
Cafeteria Fund due to Self-Insurance Fund for workers compensation	105,523
Capital Facilities Fund due to General Fund for indirect costs	253,093
Self-Insurance Fund due to General Fund for workers compensation	36,426
Total	$ 13,691,208

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended June 30, 2020, consisted of the following:

General Fund transfer to Cafeteria Fund for bad debt allowance	$ 60,136
General Fund transfer to Child Devlopment Fund for non-certified special education student costs	37,088
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for a transfer of RDA funds	5,177,803
Total	$ 5,275,027

NOTE 5 – FUND BALANCES

At June 30, 2020, fund balances of the District's governmental funds were classified as follows:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	$ 100,000	$ 7,356	$ -	$ 107,356
Inventories	-	158,473	-	158,473
Prepaid expenditures	606,607	-	-	606,607
Total Nonspendable	706,607	165,829	-	872,436
Restricted:				
Categorical programs	12,436,022	-	-	12,436,022
Adult education program	-	-	637,950	637,950
Child development program	-	-	1,417,439	1,417,439
Food service program	-	10,552,984	-	10,552,984
Capital projects	-	-	100,877,815	100,877,815
Debt service	-	-	14,617,666	14,617,666
Total Restricted	12,436,022	10,552,984	117,550,870	140,539,876
Assigned:				
Mandate discretionary carryover	13,657,583	-	-	13,657,583
Child development program	-	-	190,137	190,137
Other assignments	12,555,172	-	-	12,555,172
Total Assigned	26,212,755	-	190,137	26,402,892
Unassigned:				
Reserve for economic uncertainties	20,327,178	-	-	20,327,178
Remaining unassigned balances	98,022,464	-	-	98,022,464
Total Unassigned	118,349,642	-	-	118,349,642
Total	$ 157,705,026	$ 10,718,813	$ 117,741,007	$ 286,164,846

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance, July 1, 2019	Additions	Retirements	Balance, June 30, 2020
Capital assets not being depreciated:				
Land	$ 59,340,012	$ -	$ -	$ 59,340,012
Construction in progress	15,079,888	2,692,864	13,680,135	4,092,617
Total capital assets not being depreciated	74,419,900	2,692,864	13,680,135	63,432,629
Capital assets being depreciated:				
Improvement of sites	74,869,933	3,964,198	9,362	78,824,769
Buildings	669,293,398	5,930,989	-	675,224,387
Equipment	74,960,143	4,158,606	7,573,495	71,545,254
Total capital assets being depreciated	819,123,474	14,053,793	7,582,857	825,594,410
Accumulated depreciation for:				
Improvement of sites	(45,892,823)	(2,872,813)	(7,802)	(48,757,834)
Buildings	(255,153,736)	(15,356,736)	-	(270,510,472)
Equipment	(54,213,163)	(4,712,794)	(6,712,487)	(52,213,470)
Total accumulated depreciation	(355,259,722)	(22,942,343)	(6,720,289)	(371,481,776)
Total capital assets being depreciated, net	463,863,752	(8,888,550)	862,568	454,112,634
Governmental activity capital assets, net	$ 538,283,652	$ (6,195,686)	$ 14,542,703	$ 517,545,263

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2020, were as follows:

	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	$ 179,940,349	$ -	$ 9,815,000	$ 170,125,349	$ 8,925,000
Accreted interest component	30,585,694	5,293,221	-	35,878,915	-
Unamortized issuance premium	14,148,098	-	1,284,685	12,863,413	1,284,684
Total - Bonds	224,674,141	5,293,221	11,099,685	218,867,677	10,209,684
Certificates of Participation:					
Principal repayments	25,035,000	-	1,420,000	23,615,000	1,505,000
Unamortized issuance premium	3,399,944	-	200,168	3,199,776	200,168
Total - Certificates of Participation	28,434,944	-	1,620,168	26,814,776	1,705,168
Qualified Zone Academy Bond					
Scheduled deposits	495,256	-	247,628	247,628	247,628
Accumulated interest	267,472	-	128,054	139,418	139,418
Total - Qualified Zone Academy Bond	762,728	-	375,682	387,046	387,046
Capital leases	477,013	-	178,880	298,133	178,880
Compensated Absences	2,379,672	896,862	-	3,276,534	-
Claims Liability	5,717,599	538,462	1,164,066	5,091,995	-
Other Postemployment Benefits	129,817,615	18,507,867	19,049,904	129,275,578	-
Totals	$ 392,263,712	$ 25,236,412	$ 33,488,385	$ 384,011,739	$ 12,480,778

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

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

A. General Obligation Bonds

Election of 2006

On June 6, 2006, an election was held where the registered voters in the District approved by a fifty-five percent majority the issuance and sale of $275 million principal amount of general obligation bonds. The bonds are being issued to acquire, construct, renovate and equip certain District facilities. As of June 30, 2020, there are three bond issuances outstanding from this authorization: the Series A, Series B, and Series C Bonds. The Bonds are general obligations of the District, and the County is empowered and obligated to levy ad valorem taxes upon all property within the District subject to taxation for the payment of interest on and principal of the Bonds when due.

Prior Years' Refunding Bonds

In prior years the District has issued refunding bonds for the purposes of defeasing previously issued bonds. The net proceeds of these bonds were used to purchase U.S. government securities, which were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. As of June 30, 2020, 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, 2020 of $4,143,742 remain to be amortized.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
Refunding Bonds								
2009R	2/11/2009	5/1/2022	3.0% - 5.25%	$ 18,110,000	$ 5,640,000	$ -	$ 1,745,000	$ 3,895,000
2012R	10/25/2012	8/1/2031	2.0%-5.0%	78,115,000	64,510,000	-	3,570,000	60,940,000
2014R	5/22/2014	8/1/2031	2.25%-5.0%	12,975,000	4,600,000	-	1,950,000	2,650,000
2016R	6/1/2016	8/1/2029	2.0%-5.0%	49,910,000	48,135,000	-	2,550,000	45,585,000
				Subtotal Refunding Bonds	122,885,000	-	9,815,000	113,070,000
Measure C (2006)								
2006B	3/11/2008	8/1/2033	3.0% - 5.25%	70,585,909	9,795,909	-	-	9,795,909
2006C	10/25/2012	8/1/2044	5.0%-5.75%	47,259,440	47,259,440	-	-	47,259,440
				Subtotal Measure C	57,055,349	-	-	57,055,349
				Total	$ 179,940,349	$ -	$ 9,815,000	$ 170,125,349

Accreted Interest	Series	Balance, July 1, 2019	Additions	Deductions	Balance, June 30, 2020
	2006B	$ 11,266,452	$ 1,549,575	$ -	$ 12,816,027
	2006C	19,319,242	3,743,646	-	23,062,888
		$ 30,585,694	$ 5,293,221	$ -	$ 35,878,915

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

A. General Obligation Bonds (continued)

The annual requirements to amortize general obligation bonds outstanding at June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	$ 8,925,000	$ 4,459,756	$ 13,384,756
2021-2022	9,915,000	4,050,106	13,965,106
2022-2023	8,830,000	3,580,106	12,410,106
2023-2024	9,835,000	3,168,369	13,003,369
2024-2025	10,920,000	2,709,031	13,629,031
2025-2030	65,750,305	11,693,010	77,443,315
2030-2035	19,728,428	56,766,085	76,494,513
2035-2040	20,836,158	60,763,842	81,600,000
2040-2045	15,385,458	65,714,542	81,100,000
Total	$ 170,125,349	$ 212,904,847	$ 383,030,196

B. Certificates of Participation

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

2016 Refunding Certificates of Participation

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded certificates. As a result, the refunded certificates are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the Statement of Net Position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2020 of $1,338,996 remain to be amortized for this refunding. As of June 30, 2020, the principal balance outstanding on the defeased debt has been paid in full.

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

B. Certificates of Participation (continued)

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2020-2021	$ 1,505,000	$ 957,325	$ 2,462,325
2021-2022	1,595,000	879,825	2,474,825
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
2025-2030	8,865,000	1,984,200	10,849,200
2030-2035	5,535,000	605,700	6,140,700
2035-2036	950,000	14,250	964,250
Total	$ 23,615,000	$ 6,581,025	$ 30,196,025

C. Qualified Zone Academy Bond

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

Lease payments will be required as follows:

Fiscal Year	Scheduled Deposit	Accumulated Interest	Total
2020-21	$ 247,628	$ 139,418	$ 387,046

D. Capital Leases

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

Fiscal Year	Total
2020-21	$ 178,880
2021-22	119,253
	$ 298,133

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

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

E. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

Pension Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 127,133,184	$ 12,253,650	$ 5,217,601	$ 15,368,069
MPP Program	2,142,394	-	-	(14,253)
Total	$ 129,275,578	$ 12,253,650	$ 5,217,601	$ 15,353,816

The details of each plan are as follows:

District Plan

Plan Description

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

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

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

Benefits Provided

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

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

E. Other Postemployment Benefits (OPEB) Liability (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, 2020, the following employees were covered by the benefit terms:

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

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

Net OPEB Liability
The District's net OPEB liability is reported as of June 30, 2020 for the employer fiscal year and reporting period of July 1, 2019 to June 30, 2020. The values shown for this fiscal year and reporting period are based on a measurement date of June 30, 2020 and are based on a valuation as of June 30, 2019.

Actuarial assumptions and other inputs
The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Inflation	2.75 percent
Salary increases	2.75 percent
Healthcare cost trend rates	4.00 percent

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

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

District Plan (continued)

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

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

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

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

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

2009 CalPERS 3% @ 55 Rates for Sworn Police
2009 CalPERS Retirement Rates for School Employees
2009 CalPERS 2% @ 60 Rates for Miscellaneous Employees
The retirement assumptions are based on the 2009 CalPERS Retirement Rates tables created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

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

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

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

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

District Plan (continued)

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

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

Discount Rate
The discount rate used to measure the total OPEB liability was 5.8 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to fully fund the obligation over a period not to exceed 30 years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2019	$ 180,059,482	$ 52,398,514	$ 127,660,968
Changes for the year:			
Service cost	7,036,485	-	7,036,485
Interest	10,428,489	-	10,428,489
Expected investment income	-	3,268,428	(3,268,428)
Investment gains (losses)	-	(749,849)	749,849
Administrative expenses	-	(278,611)	278,611
Employer contributions to trust	-	8,214,856	(8,214,856)
Employer contributions as benefit pmts.	-	7,552,367	(7,552,367)
Benefit payments	(7,552,367)	(7,552,367)	-
Other	-	(14,433)	14,433
Net changes	9,912,607	10,440,391	(527,784)
Balance at June 30, 2020	$ 189,972,089	$ 62,838,905	$ 127,133,184

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

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

District Plan (continued)

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

Discount Rate	OPEB Liability
1% decrease	$ 158,875,721
Current discount rate	$ 127,133,184
1% increase	$ 102,717,830

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	$ 100,927,933
Current trend rate	$ 127,133,184
1% increase	$ 160,452,505

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2020, the District recognized OPEB expense of $15,368,069. In addition, at June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 5,217,601
Changes of assumptions	11,281,124	-
Net difference between projected and actual earnings on OPEB plan investments	972,526	-
Total	$ 12,253,650	$ 5,217,601

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

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

District Plan (continued)

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

The deferred outflows and inflows of resources related to the difference between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The deferred outflows and inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB 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 12.1 years.

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 1,409,507	$ 516,595
2022	1,409,507	516,595
2023	1,354,372	516,595
2024	1,266,912	516,595
2025	1,116,943	516,595
Thereafter	5,696,409	2,634,626
	$ 12,253,650	$ 5,217,601

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, 2018 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/actuarial-financial-and-investor-information.

Benefits Provided

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

As of June 30, 2019, 5,744 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

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

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

Medicare Premium Payment (MPP) Program (continued)

Benefits Provided (continued)
The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability
At June 30, 2020, the District reported a liability of $2,142,394 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, 2019, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total OPEB liability to June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		
	Fiscal Year Ending June 30, 2020	**Fiscal Year Ending June 30, 2019**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net OPEB Liability	0.575299%	0.563433%	0.011866%

For the year ended June 30, 2020, the District reported OPEB expense of $(14,253).

Actuarial Assumptions and Other Inputs
The total OPEB liability in the June 30, 2018 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, 2019
Valuation Date	June 30, 2018
Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Healthcare Cost Trend Rates	3.70% for Medicare Part A, and 4.10% for Medicare Part B

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

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)
In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380, or an average of 0.23% of the potentially eligible population (165,422).

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–2016) 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, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the California State Treasurer.

The discount rate used to measure the total OPEB liability was 3.50%. The MPP Program is funded on a pay-as-you-go basis as previously noted, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50%, which is the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37% from 3.87% as of June 30, 2018.

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	$ 2,337,840
Current discount rate	$ 2,142,394
1% increase	$ 1,962,688

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

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

Medicare Premium Payment (MPP) Program (continued)

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	$ 1,952,212
Current trend rate	$ 2,142,394
1% increase	$ 2,360,346

NOTE 8 – PENSION PLANS

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

For the fiscal year ended June 30, 2020, 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	$ 336,178,983	$ 109,582,000	$ 29,024,957	$ 51,830,575
CalPERS	147,557,774	36,340,858	6,956,401	33,230,754
Total	$ 483,736,757	$ 145,922,858	$ 35,981,358	$ 85,061,329

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.

NOTE 8 – PENSION PLANS (continued)

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

Plan Description (continued)
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, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/actuarial-financial-and-investor-information.

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
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	17.10%	17.10%
Required State Contribution Rate	10.328%	10.328%

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

The contribution rates for each program for the year ended June 30, 2020, are presented above, and the District's total contributions were $34,847,047.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2020, 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	$	336,178,983
State's proportionate share of the net pension liability associated with the District		183,408,079
Total	$	519,587,062

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.372225%	0.358293%	0.013932%

NOTE 8 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2020, the District recognized pension expense of $51,830,575. In addition, the District recognized pension expense and revenue of $5,017,978 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 34,847,047	$ -
Net change in proportionate share of net pension liability	30,592,758	5,827,878
Difference between projected and actual earnings on pension plan investments	774,229	13,723,946
Changes of assumptions	42,519,293	-
Differences between expected and actual experience	848,673	9,473,133
Total	$ 109,582,000	$ 29,024,957

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 18,074,655	$ 4,772,439
2022	18,074,655	13,761,679
2023	18,074,655	4,895,273
2024	13,970,237	2,125,917
2025	2,452,186	2,349,252
Thereafter	4,088,565	1,120,397
Total	$ 74,734,953	$ 29,024,957

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
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–2016) table issued by the Society of Actuaries.

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

For each future valuation, CalSTRS' independent consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	4.8%
Fixed Income	12%	1.3%
Real Estate	13%	3.6%
Private Equity	13%	6.3%
Risk Mitigating Strategies	9%	1.8%
Inflation Sensitive	4%	3.3%
Cash/Liquidity	2%	(0.4%)

NOTE 8 – PENSION PLANS (continued)

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

Discount Rate
The discount rate used to measure the total pension liability was 7.10%. 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 (7.10%) and assuming 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%)	$ 500,598,333
Current discount rate (7.10%)	336,178,983
1% increase (8.10%)	199,844,030

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions. 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 $25,583,648.

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the Schools Pool and the Safety Risk 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 plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation reports, Schools Accounting Valuation Report and Safety Risk Pool Valuation Report. These reports 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.

NOTE 8 – PENSION PLANS (continued)

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

Benefits Provided

Schools

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Schools Pool (CalPERS)	
	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
Monthly Benefits as a Percentage of Eligible Compensation	2.0 – 2.5%	2.0 – 2.5%
Required Employee Contribution Rate	7.00%	7.00%
Required Employer Contribution Rate	19.721%	19.721%

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.

NOTE 8 – PENSION PLANS (continued)

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

Benefits Provided (continued)

Safety (continued)
The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Safety Risk Pool (CalPERS)	
	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	3.0%	2.0%-2.7%
Required Employee Contribution Rate	10.10%	9.50%-15.25%
Required Employer Contribution Rate	Varies	Varies

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020 are presented above, and the total District contributions were $14,862,740.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $147,557,774. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Schools Risk Pool		
	Fiscal Year Ending June 30, 2020	**Fiscal Year Ending June 30, 2019**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Net Pension Liability	0.499007%	0.514006%	-0.014999%

NOTE 8 – 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)

	Percentage Share of Safety Risk Pool		
	Fiscal Year Ending June 30, 2020	Fiscal Year Ending June 30, 2019	Change Increase/ (Decrease)
Measurement Date	June 30, 2019	June 30, 2018	
Proportion of the Total Pension Liability	0.041287%	0.038903%	0.002383%
Proportion of the Fiduciary Net Position	0.043912%	0.041188%	0.002724%

For the year ended June 30, 2020, the District recognized pension expense of $33,230,754. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 14,862,740	$ -
Net change in proportionate share of net pension liability	1,893,958	3,728,388
Difference between projected and actual earnings on pension plan investments	1,823,035	3,207,397
Changes of assumptions	7,028,652	20,616
Differences between expected and actual experience	10,732,473	-
Total	$ 36,340,858	$ 6,956,401

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 4.1 years.

NOTE 8 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 13,899,046	$ 1,022,638
2022	5,211,472	3,680,021
2023	1,789,393	1,367,054
2024	576,500	806,080
2025	1,707	80,608
Thereafter	-	-
Total	$ 21,478,118	$ 6,956,401

Actuarial Methods and Assumptions
Total pension liability for the Schools and Safety Risk Pools were determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuations as of June 30, 2018 used the following methods and assumptions, applied to all prior periods included in the measurements:

Valuation Date	June 30, 2018
Experience Study	1997-2015
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.50%
Wage Growth	Varies by entry age and service

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.

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 209,630,587
Current discount rate (7.15%)	147,557,774
1% increase (8.15%)	92,174,738

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, 2020, the District reported payables of $3,157,529 and $61,769 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2020.

NOTE 9 – JOINT VENTURES

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

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

B. Construction Commitments
As of June 30, 2020, the District had commitments with respect to unfinished capital projects of approximately $4.2 million to be paid from a combination of State and local funds.

C. Litigation
The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2020.

D. Impact of COVID-19
On March 13, 2020, a presidential emergency was declared due to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. The declaration made federal disaster assistance available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to the State of California to supplement the local recovery efforts by the K-12 education community. On that same date, Governor Newsom issued Executive Order N-26-20, guaranteeing continued State funding, holding LEAs harmless from several regulations, and providing guidelines for LEAs to operate under a "distance learning" environment.

In response, the District announced the closing of all schools in mid-March. With nearly all districts in California shut down to stem the spread of COVID-19, officials statewide hastily put in place plans to deliver "grab and go" meals with minimal contact between cafeteria staff, volunteers and families in need. In addition, the District worked to implement distance learning for all students for the remainder of the 2019-20 school year. Several planned construction projects were placed on hold until work could resume.

A companion bill to Executive Order N-26-20, Senate Bill 117 changed the method used by the District to calculate average daily attendance (ADA) for both the P-2 and Annual period apportionment to include all full school months from July 1, 2019 to February 29, 2020. As events unfold and changes are made on a daily basis, the future impacts of COVID-19 on the District's operations are not fully known at this time.

NOTE 11 – RISK MANAGEMENT

Property and Liability
The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. During fiscal year ending June 30, 2020, 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 2019-20, 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, 2018 to June 30, 2020:

	Workers' Compensation
Liability Balance, July 1, 2018	$ 5,341,987
Claims and changes in estimates	2,388,556
Claims payments	(2,012,944)
Liability Balance, June 30, 2019	5,717,599
Claims and changes in estimates	538,462
Claims payments	(1,164,066)
Liability Balance, June 30, 2020	$ 5,091,995
Assets available to pay claims at June 30, 2020	$ 14,159,233

NOTE 12 – SUBSEQUENT EVENTS

On June 6, 2006, the voters of the Fontana Unified School District approved by more than 55% Measure "C", authorizing the issuance and sale of $275,000,000 of general obligation bonds. On July 15, 2020, the District issued Series 2020 of the Election of 2006 General Obligation bonds in the amount of $67,150,000. The bonds were issued to finance the construction and modernization of school facilities and to pay costs of issuance of the bonds. In addition, on July 15, 2020 the District issued general obligation refunding bonds in the amount of $158,315,000, which are being used to defease and refund certain general obligation bonds of the District and pay issuance costs.

Required Supplementary Information

FONTANA UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
Revenues				
LCFF sources	$ 405,533,393	$ 404,881,159	$ 404,437,855	$ (443,304)
Federal sources	25,414,440	26,290,674	23,703,286	(2,587,388)
Other state sources	54,906,322	67,418,903	66,768,866	(650,037)
Other local sources	2,893,979	10,387,000	12,666,132	2,279,132
Total Revenues	488,748,134	508,977,736	507,576,139	(1,401,597)
Expenditures				
Current:				
Certificated salaries	205,548,100	204,525,396	204,655,548	(130,152)
Classified salaries	66,060,701	67,854,467	67,905,478	(51,011)
Employee benefits	149,870,241	154,665,674	154,266,029	399,645
Books and supplies	26,141,153	25,237,019	25,510,426	(273,407)
Services and other operating expenditures	51,601,158	47,154,115	45,349,722	1,804,393
Transfers of indirect costs	(1,143,903)	(1,246,076)	(1,188,042)	(58,034)
Capital outlay	2,737,123	6,326,510	6,110,936	215,574
Other outgo	162,418	141,976	294,327	(152,351)
Total Expenditures	500,976,991	504,659,081	502,904,424	1,754,657
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,228,857)	4,318,655	4,671,715	353,060
Other Financing Sources and Uses				
Interfund transfers out	-	(5,275,028)	(5,275,027)	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,228,857)	(956,373)	(603,312)	353,061
Fund Balances, July 1, 2019	145,753,166	145,753,166	145,753,166	-
Fund Balances, June 30, 2020	$ 133,524,309	$ 144,796,793	145,149,854	$ 353,061
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Other than Capital Outlay			12,555,172	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			$ 157,705,026	

FONTANA UNIFIED SCHOOL DISTRICT

Budgetary Comparison Schedule – Cafeteria Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
Federal sources	$ 22,631,341	$ 26,292,874	$ 26,741,716	$ 448,842
Other state sources	1,392,886	1,536,917	1,582,311	45,394
Other local sources	1,016,804	920,404	866,964	(53,440)
Total Revenues	25,041,031	28,750,195	29,190,991	440,796
Expenditures				
Current:				
Classified salaries	8,370,308	9,211,242	8,776,379	434,863
Employee benefits	4,882,689	4,673,408	4,665,168	8,240
Books and supplies	10,092,413	13,467,245	12,634,728	832,517
Services and other operating expenditures	443,378	364,298	296,412	67,886
Transfers of indirect costs	775,607	335,715	862,514	(526,799)
Capital Outlay	2,109,636	2,109,636	1,455,879	653,757
Total Expenditures	26,674,031	30,161,544	28,691,080	1,470,464
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,633,000)	(1,411,349)	499,911	1,911,260
Other Financing Sources and Uses				
Interfund Transfers In	-	-	60,136	60,136
Net Change in Fund Balance	(1,633,000)	(1,411,349)	560,047	1,971,396
Fund Balances, July 1, 2019	10,158,766	10,158,766	10,158,766	-
Fund Balances, June 30, 2020	$ 8,525,766	$ 8,747,417	$ 10,718,813	$ 1,971,396

See accompanying notes to required supplementary information.

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2020

*Last Ten Fiscal Years**

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
CalSTRS						
District's proportion of the net pension liability	0.3722%	0.3583%	0.3523%	0.3630%	0.3620%	0.3150%
District's proportionate share of the net pension liability	$ 336,178,983	$ 329,296,551	$ 325,829,231	$ 293,598,030	$ 243,712,880	$ 184,076,550
State's proportionate share of the net pension liability associated with the District	183,408,079	188,537,676	192,757,821	167,164,729	128,896,902	111,154,484
Totals	$ 519,587,062	$ 517,834,227	$ 518,587,052	$ 460,762,759	$ 372,609,782	$ 295,231,034
District's covered-employee payroll	$ 203,382,586	$ 187,426,292	$ 193,276,161	$ 183,389,842	$ 165,939,764	$ 156,232,242
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.29%	175.69%	168.58%	160.10%	146.87%	117.82%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
CalPERS						
District's proportion of the net pension liability	0.4990%	0.5140%	0.5170%	0.5041%	0.4889%	0.5236%
District's proportionate share of the net pension liability	$ 147,557,774	$ 138,962,080	$ 125,305,087	$ 101,140,188	$ 73,312,991	$ 60,529,601
District's covered-employee payroll	$ 73,988,479	$ 74,126,166	$ 69,032,801	$ 66,132,732	$ 58,737,694	$ 53,355,454
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.43%	187.47%	181.52%	152.94%	124.81%	113.45%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	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
For the Fiscal Year Ended June 30, 2020

*Last Ten Fiscal Years**

	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
CalSTRS						
Contractually required contribution	$ 34,847,047	$ 33,110,685	$ 27,045,614	$ 24,314,141	$ 19,677,730	$ 14,735,451
Contributions in relation to the contractually required contribution	34,847,047	33,110,685	27,045,614	24,314,141	19,677,730	14,735,451
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 203,783,900	$ 203,382,584	$ 187,426,292	$ 193,276,161	$ 183,389,842	$ 165,939,764
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 14,862,740	$ 13,944,745	$ 11,638,733	$ 9,403,240	$ 7,693,218	$ 6,799,457
Contributions in relation to the contractually required contribution	14,862,740	13,944,745	11,638,733	9,403,240	7,693,218	6,799,457
Contribution deficiency (excess):	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 75,365,042	$ 77,047,458	$ 74,126,166	$ 69,032,801	$ 66,132,732	$ 58,737,694
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.621%	11.633%	11.576%

* *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, 2020

Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB liability			
Service cost	$ 7,036,485	$ 6,199,168	$ 6,033,254
Interest	10,428,489	9,482,869	8,992,926
Changes in assumptions	-	13,515,010	-
Experience gains/losses	-	(6,250,791)	-
Benefit payments	(7,552,367)	(6,569,848)	(6,753,855)
Net change in total OPEB liability	9,912,607	16,376,408	8,272,325
Total OPEB liability - beginning	180,059,482	163,683,074	155,410,749
Total OPEB liability - ending	$ 189,972,089	$ 180,059,482	$ 163,683,074
Plan fiduciary net position			
Contributions - employer	$ 15,767,223	$ 13,765,767	$ 14,992,254
Net investment income	3,268,428	2,748,704	1,871,706
Benefit payments	(7,552,367)	(6,569,848)	(6,753,855)
Investment gains/losses	(749,849)	(437,303)	-
Administrative expense	(293,044)	(241,614)	(193,342)
Net change in plan fiduciary net position	10,440,391	9,265,706	9,916,763
Plan fiduciary net position - beginning	52,398,514	43,132,808	33,216,045
Plan fiduciary net position - ending	$ 62,838,905	$ 52,398,514	$ 43,132,808
District's net OPEB liability - ending	$ 127,133,184	$ 127,660,968	$ 120,550,266
Plan fiduciary net position as a percentage of the total OPEB liability	33.08%	29.10%	26.35%
Covered-employee payroll	$ 250,083,616	$ 243,390,381	$ 236,876,283
Net OPEB liability as a percentage of covered-employee payroll	50.84%	52.45%	50.89%

Notes to Schedule:

** 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, 2020

Last 10 Fiscal Years*

	2019	2018	2017
District's proportion of net OPEB liability	0.5753%	0.5634%	0.5608%
District's proportionate share of net OPEB liability	$ 2,142,394	$ 2,156,647	$ 2,359,144
Covered-employee payroll	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	0.40%	0.01%

Notes to Schedule:
As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

Change of assumptions - 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 Changes in the District's Total OPEB Liability and Related Ratios

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

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

Change of assumptions – The discount rate was changed from 3.87 percent to 3.50 percent since the previous valuation.

Supplementary Information

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FONTANA UNIFIED SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2020

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

GOVERNING BOARD

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

DISTRICT ADMINISTRATORS

Randal S. Bassett,
Superintendent

Joseph Bremgartner,
Associate Superintendent, Human Resources

Nick Salerno,
Associate Superintendent, Teaching & Learning

Ryan DiGiulio,
Associate Superintendent, Business Services

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2020

	Second Period Report	**Annual Report**
	Certificate No. 012FBA5C	Certificate No. BF18B374
Regular ADA & Extended Year:		
TK/Grades K-3	10,074.73	10,081.12
Grades 4-6	7,780.15	7,786.26
Grades 7-8	5,512.56	5,515.38
Grades 9-12	11,263.42	11,270.56
Total Regular ADA	34,630.86	34,653.32
Special Education-Nonpublic, Nonsectarian Schools:		
TK/Grades K-3	4.72	4.72
Grades 4-6	11.62	11.85
Grades 7-8	3.32	3.43
Grades 9-12	29.08	29.42
Total Special Education-Nonpublic, Nonsectarian Schools	48.74	49.42
Total ADA	34,679.60	34,702.74

FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2020

Grade Level	Required	2019-20 Offered Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	36,000	180	Complied
Grade 1	50,400	53,066	180	Complied
Grade 2	50,400	53,066	180	Complied
Grade 3	50,400	53,066	180	Complied
Grade 4	54,000	54,580	180	Complied
Grade 5	54,000	54,710	180	Complied
Grade 6	54,000	54,710	180	Complied
Grade 7	54,000	61,488	180	Complied
Grade 8	54,000	61,488	180	Complied
Grade 9	64,800	65,435	180	Complied
Grade 10	64,800	65,435	180	Complied
Grade 11	64,800	65,435	180	Complied
Grade 12	64,800	65,435	180	Complied

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2020

General Fund	(Budget) 2021 [2]	2020 [3]	2019	2018
Revenues and other financing sources	$ 546,982,132	$ 507,576,139	$ 520,510,060	$ 476,257,722
Expenditures	515,686,389	502,904,424	527,706,671	451,437,869
Other uses and transfers out	30,000	5,275,027	5,217,272	3,233,906
Total outgo	515,716,389	508,179,451	532,923,943	454,671,775
Change in fund balance (deficit)	31,265,743	(603,312)	(12,413,883)	21,585,947
Ending fund balance	$ 176,415,597	$ 145,149,854	$ 145,753,166	$ 158,167,049
Available reserves [1]	$ 137,197,899	$ 118,349,642	$ 117,541,521	$ 115,395,043
Available reserves as a percentage of total outgo	26.6%	23.3%	22.1%	25.4%
Total long-term debt	$ 860,887,815	$ 867,748,496	$ 860,522,343	$ 845,949,666
Average daily attendance at P-2	N/A	34,680	34,944	35,692

The General Fund balance has decreased over the past two years by $13,017,195. The fiscal year 2020-21 adopted budget projects an increase of $31,265,743. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, but anticipates incurring an operating surplus during the 2020-21 fiscal year. Long-term debt has increased by $21,798,830 over the past two years.

Average daily attendance has decreased by 1,012 over the past two years. No ADA will be reported in 2020-21.

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

[2] Revised Final Budget September, 2020.

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

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

FONTANA UNIFIED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Especially Needy	10.553	13526	$ 2,802,947	
School Breakfast Program - Basic	10.553	13390	1,132	
National School Lunch Program	10.555	13523	10,716,423	
Summer Food Service Program	10.559	13004	139,157	
Summer feeding option	10.555	13523	6,131,416	
USDA Donated Foods	10.555	13391	1,799,669	
Total Child Nutrition Cluster				$ 21,590,744
Child and Adult Care Food Program Cluster:				
Child and Adult Care Food Program	10.558	13393	4,816,104	
Child and Adult Care Food Program Cash in Lieu	10.558	13393	334,868	
Total Child and Adult Care Food Program Cluster				5,150,972
Total U.S. Department of Agriculture				26,741,716
U.S. Department of Treasury:				
Passed through California Dept. of Education (CDE):				
COVID-Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	10149		9,678,962
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	236,405	
Adult Basic Education & ESL	84.002A	14508	185,934	
English Literacy & Civics Education	84.002A	14109	81,463	
Total Adult Education Cluster				503,802
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		11,992,534
Title II, Part A, Supporting Effective Instruction	84.367	14344		2,115,751
English Language Acquisition Grants Cluster				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	1,365,321	
Title III, Immigrant Education Program	84.365	15146	44,116	
Subtotal English Language Acquisition Grants Cluster				1,409,437
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		452,371
Carl Perkins Act - Secondary	84.048	14894		260,071
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	6,643,732	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	4,463	
Preschool Grants, Part B, Sec 619	84.173	13430	164,411	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	406,345	
Preschool Staff Development	84.173A	13431	245	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	5,955	
Total Special Education Cluster				7,225,151
Early Intervention Grants, Part C	84.181	23761		129,885
Workability II, Transition	84.158	10006		224,254
COVID-Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536		193,231
Total U.S. Department of Education				24,506,487
U.S. Department of Health & Human Services:				
Direct Federal to Local Program:				
Early Head Start	93.600	N/A		279,115
Total U.S. Department of Health & Human Services				279,115
Total Expenditures of Federal Awards				$ 61,206,280

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

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*. The instructional time presented in this schedule includes the days that schools were closed due to the COVID-19 pandemic.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Expenditures of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been expended by June 30, 2020 without a corresponding recognition of revenue.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 51,334,087
Differences between Federal Revenues and Expenditures:		
COVID-Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	9,678,962
COVID-Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	193,231
Total Schedule of Expenditures of Federal Awards		$ 61,206,280

Other Independent Auditors' Reports

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

Board of Education
Fontana Unified School District
Fontana, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fontana Unified School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Fontana Unified School District's basic financial statements, and have issued our report thereon dated January 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fontana Unified School District's internal control over financial reporting (internal control) 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 Fontana Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fontana Unified School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fontana Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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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.

Nigro & Nigro, PC

Murrieta, California
January 4, 2021

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, 2020. 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, 2020.

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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.

Nigro & Nigro, PC

Murrieta, California
January 4, 2021

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 *2019-20 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, 2020.

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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Fontana Unified School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

Unmodified Opinion on Compliance with State Programs

In our opinion, Fontana Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance with the compliance requirements referred to previously, which are required to be reported in accordance with the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* and which are described in the accompanying schedule of findings and questioned costs as Finding 2020-001. Our opinion on each state program is not modified with respect to these matters.

District's Response to Finding

Fontana Unified School District's response to the internal control over 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.

Nigro & Nigro, PC

Murrieta, California
January 4, 2021

Findings and Questioned Costs

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FONTANA UNIFIED SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555,	Child Nutrition Cluster
10.558	Child and Adult Care Food Program Cluster
21.019	COVID-Coronavirus Relief Fund (CRF): Learning Loss Mitigation

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,865,165
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2019-20.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

There were no federal award findings or questioned costs in 2019-20.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2020-001: CALPADS Unduplicated Pupil Count (40000)

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

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).

- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

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

Context: We noted four exceptions which were all found at one out of 10 schools selected for testing. We extrapolated these errors across the unduplicated population at that site. See calculation below:

	Unduplicated students tested	Audit exceptions	Error rate	Unduplicated population	Extrapolated exceptions
Alder Middle	23	4	17%	480	83

Cause: When uploading FRPM status from the nutrition system into CALPADS, there was an error for Alder Middle. Students were classified as free based on previous year qualification, even if they never submitted an application in the current re-base year.

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

	CALPADS	Adjusted based on eligibility for: FRPM	Adjusted Total
Program/Site:			
Alder Middle	953	(83)	870
Aggregate remaining sites	29,863	-	29,863
District-wide	30,816	(83)	30,733

Total enrollment of 36,159 was not adjusted based on the results of our procedures.

The financial loss due to this finding is $168,869. This amount was calculated using the CDE audit penalty calculator, based on an extrapolation of the audit exception rate.

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

Finding 2020-001: CALPADS Unduplicated Pupil Count (40000) (continued)

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

Views of Responsible Officials: Starting in 2020-21, Fontana Unified School District, has adopted the practice of collecting household income forms used for LCFF purposes from all students on an annual basis to ensure UPC student counts are accurate and timely.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2019-001: CALPADS Unduplicated Pupil Count	Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals: • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. During our testing of the students who receive Free and Reduced-Price Meals (FRPM) reported in the CALPADS 1.17 and 1.18 reports, we noted 5 students who were classified as free or reduced but did not have an application or income eligibility form on file to support the designation prior to October 31.	40000	We recommend that the District implement a procedure to review the CALPADS information prior to the report's submission to the California Department of Education.	Partially Implemented; See Finding 2020-001.

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, 2020, 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 January 4, 2021, on the financial statements of Fontana Unified School District.

The following observations and recommendations are not audit findings.

ASSOCIATED STUDENT BODY (ASB) FUNDS

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

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

***Observation*:** In our testing of cash receipts, we noted several deposits at various sites lacked sufficient supporting documentation. Without original supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB accounts. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific event from which they were generated and to ensure that all proceeds from an event are turned in and properly reconciled to sales.

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

***Observation*:** During our testing of cash disbursements at **Summit High**, we noted three of 25 disbursements were found to be missing supporting documentation such as an invoice, proper authorization, and proof of receipt. We further noted that two of the 25 disbursements sampled were found to be missing a second authorized signature on the check. The second signature on all checks is an important internal control due to the inherent lack of segregation of duties within the ASB operations.

> ***Recommendation*:** We recommend that adequate supporting documents be retained for all purchases and dual signatures be obtained on each check prior to issuing payment.

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ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

***Observation*:** In our testing of cash receipts, we noted several deposits at various sites were not deposited in a timely manner. Funds were initially collected more than two weeks prior to being deposited in the bank.

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

***Observation*:** During our testing of cash disbursements, we noted disbursements at various sites where the purchased goods were shipped to a personal address.

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

***Observation*:** During our testing of ASBs, we noted at several sites that multiple bank reconciliations were performed late. Timely and accurate bank reconciliations are prudent and necessary to ensure that the accounting records match the amounts held on deposit.

> ***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*:** It was noted through inquiry that when ASB cash from the various middle and elementary schools is brough to the District office, it is recounted by a single person. This was also the case for the recounting of cafeteria cash receipts for elementary sites.

> ***Recommendation*:** We recommend that whenever cash is counted or transferred from one person to another, that it be counted in the presence of two people.

***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.

Nigro & Nigro, PC

Murrieta, California
January 4, 2021