

**CORONA-NORCO  
UNIFIED SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2015**

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2015

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### ***FINANCIAL SECTION***

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	17
Fund Financial Statements	
Governmental Funds - Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Proprietary Funds - Statement of Net Position	24
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	25
Proprietary Funds - Statement of Cash Flows	26
Fiduciary Funds - Statement of Net Position	27
Notes to Financial Statements	28

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	77
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	78
Schedule of the District's Proportionate Share of the Net Pension Liability	79
Schedule of District Contributions	80

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	82
Local Education Agency Organization Structure	84
Schedule of Average Daily Attendance	85
Schedule of Instructional Time	86
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	87
Schedule of Financial Trends and Analysis	88
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	90
General Fund Selected Financial Information	91
Cafeteria Account Selected Financial Information	92
Note to Supplementary Information	93

### ***INDEPENDENT AUDITOR'S REPORTS***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	96
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	98
Report on State Compliance	100

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS JUNE 30, 2015

---

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Summary of Auditor's Results	104
Financial Statement Findings	105
Federal Awards Findings and Questioned Costs	106
State Awards Findings and Questioned Costs	107
Summary Schedule of Prior Audit Findings	110
Management Letter	111

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Corona-Norco Unified School District  
Norco, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corona-Norco Unified School District (the District) as of and for the year ended June 30, 2015, 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.

### *Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. 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 District'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 District'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Corona-Norco Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter - Change in Accounting Principles*

As discussed in Note 1 and Note 18 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 14 and budgetary comparison, other postemployment benefit (OPEB) funding progress, the District's proportionate share of the net pension liability, and District contributions on pages 77 through 80, respectively, 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 Corona-Norco Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, on our consideration of the Corona-Norco Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corona-Norco Unified School District's internal control over financial reporting and compliance.

VAJRNELTINS Day + equip

Rancho Cucamonga, California  
December 2, 2015



This section of Corona-Norco Unified School District's (the District) 2014-2015 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## OVERVIEW OF THE FINANCIAL STATEMENTS

### The Financial Statements

The financial statements presented herein include all of the activities of the Corona-Norco Unified School District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

*Governmental* and the *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Corona-Norco Unified School District.

**Board of Education**

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

**Governmental activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

**Business-type activities** - The District charges fees to help it cover the costs of certain services it provides. The District's Food Services program is included here.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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**Governmental funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**Proprietary funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The Internal Service Fund is reported with governmental activities in the government-wide financial statements.

### THE DISTRICT AS TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### FINANCIAL HIGHLIGHTS

#### THE DISTRICT AS A WHOLE

##### Net Position

The District's net position was \$225,864,515 for the fiscal year ended June 30, 2015. Of this amount, (\$337,676,424) was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants grantors, constitutional provisions, and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities		Business-Type Activities		School District Activities	
	2015	2014 as restated	2015	2014	2015	2014 as restated
<b>Assets</b>						
Current and other assets	\$ 242,998,079	\$ 294,221,189	\$ 1,610,393	\$ 1,301,953	\$ 244,608,472	\$ 295,523,142
Capital assets	884,615,918	885,916,913	417,021	430,632	885,032,939	886,347,545
<b>Total Assets</b>	<b>1,127,613,997</b>	<b>1,180,138,102</b>	<b>2,027,414</b>	<b>1,732,585</b>	<b>1,129,641,411</b>	<b>1,181,870,687</b>
<b>Deferred Outflows of Resources</b>	<b>28,836,060</b>	<b>24,034,851</b>	<b>-</b>	<b>-</b>	<b>28,836,060</b>	<b>24,034,851</b>
<b>Liabilities</b>						
Current liabilities	30,751,149	66,422,542	247,472	223,042	30,998,621	66,645,584
Long-term obligations	466,056,477	472,671,227	-	-	466,056,477	472,671,227
Aggregate pension liability	345,545,788	429,405,315	-	-	345,545,788	429,405,315
<b>Total Liabilities</b>	<b>842,353,414</b>	<b>968,499,084</b>	<b>247,472</b>	<b>223,042</b>	<b>842,600,886</b>	<b>968,722,126</b>
<b>Deferred Inflows of Resources</b>	<b>90,012,070</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,012,070</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets	507,043,728	497,907,036	417,021	430,632	507,460,749	498,337,668
Restricted	54,717,269	68,194,062	1,362,921	1,078,911	56,080,190	69,272,973
Unrestricted	(337,676,424)	(330,427,229)	-	-	(337,676,424)	(330,427,229)
<b>Total Net Position</b>	<b>\$ 224,084,573</b>	<b>\$ 235,673,869</b>	<b>\$ 1,779,942</b>	<b>\$ 1,509,543</b>	<b>\$ 225,864,515</b>	<b>\$ 237,183,412</b>

The (\$337,676,424) in unrestricted net position represents the accumulated results of all past years' operations. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net position for day-to-day operations.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities		Business-Type Activities		School District Activities	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,215,203	\$ 1,643,495	\$ 4,240,097	\$ 3,674,642	\$ 6,455,300	\$ 5,318,137
Operating grants and contributions	76,850,591	81,380,547	14,363,534	13,189,932	91,214,125	94,570,479
Capital grants and contributions	24,615	18,959,615	-	-	24,615	18,959,615
General revenues:						
Federal and State aid not restricted	288,118,559	256,991,777	-	-	288,118,559	256,991,777
Property taxes	111,130,907	104,845,518	-	-	111,130,907	104,845,518
Other general revenues	21,939,277	17,294,837	2,009	-	21,941,286	17,294,837
<b>Total Revenues</b>	<b>500,279,152</b>	<b>481,115,789</b>	<b>18,605,640</b>	<b>16,864,574</b>	<b>518,884,792</b>	<b>497,980,363</b>
<b>Expenses</b>						
Instruction-related	377,866,221	351,753,344	-	-	377,866,221	351,753,344
Pupil services	39,577,541	34,651,752	18,335,241	17,296,860	57,912,782	51,948,612
Administration	19,467,008	17,054,615	-	-	19,467,008	17,054,615
Plant services	45,730,607	40,527,455	-	-	45,730,607	40,527,455
Other	29,227,071	54,572,146	-	-	29,227,071	54,572,146
<b>Total Expenses</b>	<b>511,868,448</b>	<b>498,559,312</b>	<b>18,335,241</b>	<b>17,296,860</b>	<b>530,203,689</b>	<b>515,856,172</b>
<b>Change in Net Position</b>	<b>\$ (11,589,296)</b>	<b>\$ (17,443,523)</b>	<b>\$ 270,399</b>	<b>\$ (432,286)</b>	<b>\$ (11,318,897)</b>	<b>\$ (17,875,809)</b>

### Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$511,868,448. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$111,130,907 because the cost was paid by other governments and organizations who subsidized certain programs with charges for services, grants, and contributions (\$79,090,409). We paid for the remaining "public benefit" portion of our governmental activities with \$310,057,836 in Federal and State unrestricted funds and with other revenues, like interest and general entitlements.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

In Table 3, we have presented the cost and net cost of each of the District's largest governmental activity functions: instruction, instruction-related activities, home-to-school transportation, other pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	\$ 324,824,243	\$ 305,522,989	\$ 273,928,743	\$ 225,157,216
Instruction-related activities	53,041,978	46,230,355	44,652,865	38,298,888
Home-to-school transportation	11,465,840	9,692,603	11,125,741	9,532,584
Other pupil services	28,111,701	24,959,149	20,441,994	18,546,995
Administration	19,467,008	17,054,615	17,437,741	14,254,024
Plant services	45,730,607	40,527,455	45,620,467	40,302,893
Other	29,227,071	54,572,146	19,570,488	50,483,055
<b>Total</b>	<b>\$ 511,868,448</b>	<b>\$ 498,559,312</b>	<b>\$ 432,778,039</b>	<b>\$ 396,575,655</b>

### THE DISTRICT'S FUNDS

As the District completed this year, governmental funds reported a combined fund balance of \$110,204,414, which is a decrease of \$16,464,912 from last year (Table 4).

**Table 4**

	Fund Balance			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General Fund	\$ 59,608,867	\$ 446,818,275	\$ 450,806,448	\$ 55,620,694
Capital Facilities Fund	2,149,788	16,980,121	16,928,745	2,201,164
Bond Interest and Redemption Fund	18,531,909	20,432,328	19,081,506	19,882,731
Debt Service Fund for Blended Component Units	24,955,942	20,267,705	16,797,550	28,426,097
Adult Education Fund	886,643	1,162,089	1,480,368	568,364
Child Development Fund	-	553,544	553,544	-
Deferred Maintenance Fund	5,630,339	14,833	3,158,997	2,486,175
Building Fund	-	2,802,310	2,802,310	-
County School Facilities Fund	13,882,307	31,637	13,913,944	-
Capital Project Fund for Blended Component Units	1,023,531	-	4,342	1,019,189
<b>Total</b>	<b>\$ 126,669,326</b>	<b>\$ 509,062,842</b>	<b>\$ 525,527,754</b>	<b>\$ 110,204,414</b>

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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The primary reasons for these changes are the following:

Our General Fund is our principal operating fund. The fund balance in the General Fund decreased by \$3,988,173 to \$55,620,964. This is primarily due to the new Local Control Funding Formula (LCFF) model and various adjustments to other Federal, State, and local budgets.

The Capital Facilities Fund and County School Facilities Fund changes were due to school facility fees and Redevelopment funds received for the construction of Reagan Elementary school, as well as, added relocatable buildings at Norco High School, Eastvale and Garretson Elementary schools. Costs were also incurred for continued modernization at Corona High School and pre-construction services at various sites throughout the District.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 16, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 77.)

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2015, the District had \$885,032,939 in a broad range of capital assets (net of depreciation), including land, construction in progress, buildings and improvements, furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$1,314,606 or 0.02 percent, from last year (Table 5).

**Table 5**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 86,028,059	\$ 85,261,967	\$ -	\$ -	\$ 86,028,059	\$ 85,261,967
Construction in progress	129,097,242	103,155,118	-	-	129,097,242	103,155,118
Buildings and improvements	656,395,392	684,865,498	155,515	159,776	656,550,907	685,025,274
Furniture and equipment	13,095,225	12,634,330	261,506	270,856	13,356,731	12,905,186
<b>Total</b>	<b>\$ 884,615,918</b>	<b>\$ 885,916,913</b>	<b>\$ 417,021</b>	<b>\$ 430,632</b>	<b>\$ 885,032,939</b>	<b>\$ 886,347,545</b>

Construction in progress includes decreases due to the completion of on-going modernization and construction projects District-wide.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### Long-Term Obligations

At the end of this year, the District had \$466,056,477 in long-term obligations versus \$472,671,227 last year, a decrease of 1.4 percent. The decrease consisted primarily of declining outstanding principal balance of the general obligation bonds and certification of participation.

**Table 6**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds (net of unamortized premium)	\$ 321,581,205	\$ 322,563,384	\$ -	\$ -	\$ 321,581,205	\$ 322,563,384
Certificates of participation (net of unamortized premium)	27,461,412	28,635,697	-	-	27,461,412	28,635,697
Public Financing Authority bonds	83,650,000	86,165,000	-	-	83,650,000	86,165,000
Capital lease	330,000	357,597	-	-	330,000	357,597
Claims liability	15,516,000	14,687,000	-	-	15,516,000	14,687,000
Supplemental early retirement plan	4,011,627	6,900,832	-	-	4,011,627	6,900,832
Other postemployment benefits	9,063,054	7,606,008	-	-	9,063,054	7,606,008
Compensated absences	4,443,179	5,755,709	-	-	4,443,179	5,755,709
<b>Total</b>	<b>\$ 466,056,477</b>	<b>\$ 472,671,227</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 466,056,477</b>	<b>\$ 472,671,227</b>

The District's general obligation bond rating was raised to "AA+". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the district's boundaries. The District's outstanding general obligation debt of \$321,581,205 is below this statutorily-imposed limit.

Other obligations include certificates of participation, compensated absences payable, and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

### Net Pension Liability (NPL)

At year end, the District had an outstanding pension liability of \$345,545,788 as a result of the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District has, therefore, recorded its proportionate share of net pension liabilities for CalSTRS and CalPERS.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:**

- Eleanor Roosevelt High School was recognized as a Gold Ribbon High School in May 2015.
- The current cohort graduation rate of 92.3 percent was higher than Riverside County and the State cohort graduations rates.
- The current cohort dropout rate of 4.4 percent was lower than Riverside County and the State cohort graduation rates.
- The number of Career Technical Education pathways grew from 204 to 286 in 2015.
- Average attendance rate is 96.0 percent.
- Suspension (2.6 percent) and expulsion (0.1 percent) rates are extremely low.
- 100 percent of CNUSD's teachers are appropriately assigned.
- 100 percent of CNUSD's students have access to appropriate instructional materials.
- 100 percent of CNUSD's facilities are in good repair.
- 49.1 percent of CNUSD's seniors completed their A-G course requirements.
- 62.1 percent of CNUSD's English Learners made significant progress in learning English.
- 12.9 percent of CNUSD's English Learners were reclassified as fluent English proficient. This reclassification rate was higher than Riverside County and the State rates.
- CNUSD's Advanced Placement pass rate is currently 55.1 percent. Enrollment in AP classes has risen from 3,933 students to 4,089 in 2015.
- CNUSD's overall 2013 Growth API is 824. Of CNUSD's 49 schools, 35 schools have 2013 Growth API's higher than the State's target of 800 and 5 schools have 2013 Growth API's over 900.
- On several indices, achievement gaps have been reduced.

The District continued construction of Reagan Elementary school with completion at the end of 2014-2015; school site opened July 2015. Relocatable buildings were added at Norco High School, Eastvale and Garretson Elementary schools. Reconstruction of HVAC began at Roosevelt and Santiago High Schools. Modernization continued at Corona High School and the District continues pre-construction planning at various sites throughout the District.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2015-2016 year, the District Board and management used the following criteria:

The key assumptions in our forecast are the following:

- Revenue increase based on new Local Control Funding Formula (LCFF) model.
- Revenue cost of living adjustment of 1.02 percent.
- Gap funding projected at 53.08 percent.
- Unduplicated pupil count projected at 47.77 percent.
- No ADA growth projected.
- Cost to service salary schedules.
- Updated salary schedules to include contractual agreements.
- Employee fixed cost increase for STRS and PERS.

# **CORONA-NORCO UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015**

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### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Deputy Superintendent, Business Services, at Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860, or e-mail at [smata@cnusd.k12.ca.us](mailto:smata@cnusd.k12.ca.us).

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2015

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Deposits and investments	\$ 147,494,782	\$ 1,193,887	\$ 148,688,669
Receivables	10,095,265	376,240	10,471,505
Long-term receivables	84,935,000	-	84,935,000
Internal balances	223,747	(223,747)	-
Prepaid expenses	87,503	-	87,503
Stores inventories	161,782	264,013	425,795
Capital assets			
Land and construction in progress	215,125,301	-	215,125,301
Other capital assets	1,025,404,183	2,510,964	1,027,915,147
Less: Accumulated depreciation	(355,913,566)	(2,093,943)	(358,007,509)
Total Capital Assets	<u>884,615,918</u>	<u>417,021</u>	<u>885,032,939</u>
<b>Total Assets</b>	<u>1,127,613,997</u>	<u>2,027,414</u>	<u>1,129,641,411</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	127,805	-	127,805
Current year pension contribution	28,708,255	-	28,708,255
<b>Total Deferred Outflows     of Resources</b>	<u>28,836,060</u>	<u>-</u>	<u>28,836,060</u>
<b>LIABILITIES</b>			
Accounts payable	26,068,435	17,396	26,085,831
Accrued interest payable	4,193,538	-	4,193,538
Unearned revenue	489,176	230,076	719,252
Long-term obligations			
Current portion of long-term obligations other than pensions	17,592,153	-	17,592,153
Noncurrent portion of long-term obligations other than pensions	448,464,324	-	448,464,324
Total Long-Term Liabilities	<u>466,056,477</u>	<u>-</u>	<u>466,056,477</u>
Aggregate net pension liability	<u>345,545,788</u>	<u>-</u>	<u>345,545,788</u>
<b>Total Liabilities</b>	<u>842,353,414</u>	<u>247,472</u>	<u>842,600,886</u>

The accompanying notes are an integral part of these financial statements.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION, Continued**  
**JUNE 30, 2015**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Difference between projected and actual earnings on pension plan investments	\$ 90,012,070	\$ -	\$ 90,012,070
<b>NET POSITION</b>			
Net investment in capital assets	507,043,728	417,021	507,460,749
Restricted for:			
Debt service	44,115,290	-	44,115,290
Capital projects	2,201,164	-	2,201,164
Educational programs	2,615,761	-	2,615,761
Other activities	5,785,054	1,362,921	7,147,975
Unrestricted	(337,676,424)	-	(337,676,424)
<b>Total Net Position</b>	<b>\$ 224,084,573</b>	<b>\$ 1,779,942</b>	<b>\$ 225,864,515</b>

The accompanying notes are an integral part of these financial statements.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 324,824,243	\$ 118,498	\$ 50,752,387	\$ 24,615
Instruction-related activities:				
Supervision of instruction	15,141,913	-	7,273,630	-
Instructional library, media, and technology	2,320,255	-	10,870	-
School site administration	35,579,810	2,835	1,101,778	-
Pupil services:				
Home-to-school transportation	11,465,840	-	340,099	-
All other pupil services	28,111,701	-	7,669,707	-
Administration:				
Data processing	6,053,120	-	261,851	-
All other administration	13,413,888	260,796	1,506,620	-
Plant services	45,730,607	-	110,140	-
Ancillary services	2,869,994	-	74,481	-
Enterprise services	6,353	-	-	-
Interest on long-term obligations	26,009,738	-	-	-
Other outgo	340,986	1,833,074	7,749,028	-
<b>Total Governmental Activities</b>	<b>511,868,448</b>	<b>2,215,203</b>	<b>76,850,591</b>	<b>24,615</b>
<b>Business-Type Activities</b>				
Food services	18,335,241	4,240,097	14,363,534	-
<b>Total School District Activities</b>	<b>\$ 530,203,689</b>	<b>\$ 6,455,300</b>	<b>\$ 91,214,125</b>	<b>\$ 24,615</b>

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

**Subtotal, General Revenues**

**Change in Net Position**

- Net Position - Beginning, as Restated
- Net Position - Ending

The accompanying notes are an integral part of these financial statements.

**Net (Expenses) Revenues and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (273,928,743)	\$ -	\$ (273,928,743)
(7,868,283)	-	(7,868,283)
(2,309,385)	-	(2,309,385)
(34,475,197)	-	(34,475,197)
(11,125,741)	-	(11,125,741)
(20,441,994)	-	(20,441,994)
(5,791,269)	-	(5,791,269)
(11,646,472)	-	(11,646,472)
(45,620,467)	-	(45,620,467)
(2,795,513)	-	(2,795,513)
(6,353)	-	(6,353)
(26,009,738)	-	(26,009,738)
9,241,116	-	9,241,116
<u>(432,778,039)</u>	<u>-</u>	<u>(432,778,039)</u>
-	268,390	268,390
<u>(432,778,039)</u>	<u>268,390</u>	<u>(432,509,649)</u>
87,878,950	-	87,878,950
19,630,749	-	19,630,749
3,621,208	-	3,621,208
288,118,559	-	288,118,559
1,252,669	2,009	1,254,678
20,686,608	-	20,686,608
<u>421,188,743</u>	<u>2,009</u>	<u>421,190,752</u>
(11,589,296)	270,399	(11,318,897)
235,673,869	1,509,543	237,183,412
<u>\$ 224,084,573</u>	<u>\$ 1,779,942</u>	<u>\$ 225,864,515</u>

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2015**

	<b>General Fund</b>	<b>Capital Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 63,718,972	\$ 8,332,601	\$ 19,882,731
Receivables	9,557,692	18,556	-
Due from other funds	427,747	-	-
Prepaid expenditures	87,503	-	-
Stores inventories	161,782	-	-
<b>Total Assets</b>	<b>\$ 73,953,696</b>	<b>\$ 8,351,157</b>	<b>\$ 19,882,731</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 17,861,855	\$ 6,149,993	\$ -
Due to other funds	-	-	-
Unearned revenue	471,147	-	-
<b>Total Liabilities</b>	<b>18,333,002</b>	<b>6,149,993</b>	<b>-</b>
<b>Fund Balances:</b>			
Nonspendable	454,285	-	-
Restricted	2,615,761	2,201,164	19,882,731
Committed	-	-	-
Assigned	8,547,428	-	-
Unassigned	44,003,220	-	-
<b>Total Fund Balances</b>	<b>55,620,694</b>	<b>2,201,164</b>	<b>19,882,731</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 73,953,696</b>	<b>\$ 8,351,157</b>	<b>\$ 19,882,731</b>

The accompanying notes are an integral part of these financial statements.

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<b>Debt Service Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 28,426,097	\$ 5,849,906	\$ 126,210,307
-	502,438	10,078,686
-	-	427,747
-	-	87,503
-	-	161,782
<u>\$ 28,426,097</u>	<u>\$ 6,352,344</u>	<u>\$ 136,966,025</u>

\$ -	\$ 2,056,587	\$ 26,068,435
-	204,000	204,000
-	18,029	489,176
<u>-</u>	<u>2,278,616</u>	<u>26,761,611</u>

-	-	454,285
28,426,097	1,019,189	54,144,942
-	3,054,539	3,054,539
-	-	8,547,428
-	-	44,003,220
<u>28,426,097</u>	<u>4,073,728</u>	<u>110,204,414</u>

<u>\$ 28,426,097</u>	<u>\$ 6,352,344</u>	<u>\$ 136,966,025</u>
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# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2015

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 110,204,414</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is:	\$ 1,240,529,484
Accumulated depreciation is:	<u>(355,913,566)</u>
Net Capital Assets	884,615,918
Receivables related to Corona-Norco Unified School District Public Financing Authority are not received in the near term (within a year) and therefore, are not reported as receivables in the governmental funds. Current year payments totaling \$270,000 were made, leaving a balance of \$84,935,000.	84,935,000
The District has refunded various debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debts and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents the unamortized deferred charges on refunding remaining as of June 30, 2015.	127,805
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	28,708,255
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	(4,193,538)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities.	5,785,054
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(90,012,070)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(345,545,788)

The accompanying notes are an integral part of these financial statements.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION, Continued  
JUNE 30, 2015**

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Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General obligation bonds	\$ (252,194,583)
Certificates of participation	(26,755,000)
Corona-Norco Unified School District Public Financing Authority bonds	(83,650,000)
Unamortized premium	(15,789,601)
Capital lease	(330,000)
Supplemental early retirement plan (SERP)	(4,011,627)
Other postemployment benefits (OPEB)	(9,063,054)
Compensated absences (vacation)	(4,443,179)

In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is:

(54,303,433)

Total Long-Term Obligations

\$ (450,540,477)

**Total Net Position - Governmental Activities**

**\$ 224,084,573**

The accompanying notes are an integral part of these financial statements.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund
<b>REVENUES</b>			
Local Control Funding Formula	\$ 362,704,481	\$ -	\$ -
Federal sources	20,462,358	-	762,791
Other State sources	59,809,531	-	163,999
Other local sources	3,744,448	16,974,914	19,505,538
<b>Total Revenues</b>	<b>446,720,818</b>	<b>16,974,914</b>	<b>20,432,328</b>
<b>EXPENDITURES</b>			
Current			
Instruction	295,634,738	-	-
Instruction-related activities:			
Supervision of instruction	14,451,345	-	-
Instructional library, media, and technology	2,338,521	-	-
School site administration	34,722,582	-	-
Pupil services:			
Home-to-school transportation	10,827,082	-	-
All other pupil services	27,978,621	-	-
Administration:			
Data processing	5,956,465	-	-
All other administration	14,430,212	1,207,208	-
Plant services	40,635,531	-	-
Facility acquisition and construction	97,457	13,361,674	-
Ancillary services	2,869,837	-	-
Other outgo	47,125	-	7,832
Debt service			
Principal	125,054	-	9,350,000
Interest and other	14,568	-	9,723,674
<b>Total Expenditures</b>	<b>450,129,138</b>	<b>14,568,882</b>	<b>19,081,506</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,408,320)</b>	<b>2,406,032</b>	<b>1,350,822</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	5,207	-
Other sources - capital lease	97,457	-	-
Other sources - proceeds from refunded PFA bonds	-	-	-
Transfers out	(677,310)	(2,359,863)	-
Other uses - payment to refunded PFA bonds agent	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>(579,853)</b>	<b>(2,354,656)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,988,173)</b>	<b>51,376</b>	<b>1,350,822</b>
<b>Fund Balances - Beginning</b>	<b>59,608,867</b>	<b>2,149,788</b>	<b>18,531,909</b>
<b>Fund Balances - Ending</b>	<b>\$ 55,620,694</b>	<b>\$ 2,201,164</b>	<b>\$ 19,882,731</b>

<b>Debt Service</b>		
<b>Fund for Blended Component Units</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 362,704,481
-	838,610	22,063,759
-	269,861	60,243,391
12,467,842	2,778,632	55,471,374
<u>12,467,842</u>	<u>3,887,103</u>	<u>500,483,005</u>
-	1,581,474	297,216,212
-	-	14,451,345
-	-	2,338,521
-	368,829	35,091,411
-	-	10,827,082
-	-	27,978,621
-	-	5,956,465
-	16,750	15,654,170
-	2,955,723	43,591,254
-	16,981,180	30,440,311
-	-	2,869,837
281,687	4,342	340,986
3,820,000	-	13,295,054
7,435,863	-	17,174,105
<u>11,537,550</u>	<u>21,908,298</u>	<u>517,225,374</u>
930,292	(18,021,195)	(16,742,369)
2,359,863	677,310	3,042,380
-	-	97,457
-	-	-
5,440,000	-	5,440,000
-	(5,207)	(3,042,380)
(5,260,000)	-	(5,260,000)
<u>2,539,863</u>	<u>672,103</u>	<u>277,457</u>
3,470,155	(17,349,092)	(16,464,912)
24,955,942	21,422,820	126,669,326
<u>\$ 28,426,097</u>	<u>\$ 4,073,728</u>	<u>\$ 110,204,414</u>

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015**

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (16,464,912)**

**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceed capital outlays in the period.

Depreciation expense	\$ (30,580,239)	
Capital outlays	<u>29,279,244</u>	
Net Expense Adjustment		(1,300,995)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the Statement of Activities, but rather constitute long-term obligations in the Statement of Net Position. (97,457)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were more than the amounts earned by \$2,889,205. Vacation used was more than the amounts earned by \$1,312,530. 4,201,735

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (1,342,417)

The collection of tax assessment are revenues in the governmental funds, but it reduces long-term receivables in the Statement of Net Position and does not affect the Statement of Activities. (270,000)

Contributions for postemployment benefits are recorded as an expense in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the government wide statements as an expense. The actual amount of the contribution was less that the annual required contribution. (1,457,046)

The accompanying notes are an integral part of these financial statements.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2015**

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Proceeds from bonds issued by the Corona-Norco Unified School District Public Financing Authority (CNUSD PFA) was used to refinancing an existing CNUSD PFA bonds. Proceeds received from issuance of debt is a revenue in the governmental funds, but it increase long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. This year the CNUSD PFA issued \$5,440,000 in refunding special tax bonds.	\$ (5,440,000)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	\$ 9,350,000
Certificates of participation	1,125,000
Corona-Norco Unified School District Public Financing Authority bonds	7,955,000
Capital lease	<u>125,054</u>
Combined adjustment	18,555,054
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:	
Amortization of debt premium	815,364
Amortization of deferred charges on refunding	<u>(8,917)</u>
Combined adjustment	806,447
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds and certificates of participation increased by \$508,180, and second, \$9,133,900 of additional interest was accreted on the District's "capital appreciation" general obligation bonds.	(9,642,080)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net revenue charged to the Internal Service Fund is reported with governmental activities.	<u>862,375</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (11,589,296)</u></u></b>

The accompanying notes are an integral part of these financial statements.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Food Service</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 1,193,887	\$ 21,284,475
Receivables	376,240	16,579
Stores inventories	264,013	-
<b>Total Current Assets</b>	<b>1,834,140</b>	<b>21,301,054</b>
<b>Noncurrent Assets</b>		
Capital Assets	2,510,964	-
Less: accumulated depreciation	(2,093,943)	-
<b>Total Noncurrent Assets</b>	<b>417,021</b>	<b>-</b>
<b>Total Assets</b>	<b>2,251,161</b>	<b>21,301,054</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	17,396	-
Due to other funds	223,747	-
Unearned revenue	230,076	-
Claim liabilities	-	1,594,537
<b>Total Current Liabilities</b>	<b>471,219</b>	<b>1,594,537</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of long-term obligations	-	13,921,463
<b>NET POSITION</b>		
Investment in capital assets	417,021	-
Restricted	1,362,921	5,785,054
<b>Total Net Position</b>	<b>\$ 1,779,942</b>	<b>\$ 5,785,054</b>

The accompanying notes are an integral part of these financial statements.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Business-Type Activities Enterprise Fund</b>	<b>Governmental Activities</b>
	<b>Food Service</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 4,219,069	\$ -
Charges to other funds	-	3,973,831
Other local revenues	21,028	-
<b>Total Operating Revenues</b>	<b>4,240,097</b>	<b>3,973,831</b>
<b>OPERATING EXPENSES</b>		
Payroll costs	8,673,369	267,766
Professional and contract services	203,043	-
Supplies and materials	8,579,317	397
Facility rental	128,273	-
Other operating cost	714,074	2,909,440
Depreciation	37,166	-
<b>Total Operating Expenses</b>	<b>18,335,242</b>	<b>3,177,603</b>
<b>Operating Income (Loss)</b>	<b>(14,095,145)</b>	<b>796,228</b>
<b>NONOPERATING REVENUES</b>		
Interest income	2,009	66,147
Federal grants	13,394,536	-
State grants	968,998	-
<b>Total Nonoperating Revenues</b>	<b>14,365,543</b>	<b>66,147</b>
<b>Change in Net Position</b>	<b>270,398</b>	<b>862,375</b>
<b>Total Net Position - Beginning</b>	<b>1,509,544</b>	<b>4,922,679</b>
<b>Total Net Position - Ending</b>	<b>\$ 1,779,942</b>	<b>\$ 5,785,054</b>

The accompanying notes are an integral part of these financial statements.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal</b>
	<b>Food Service</b>	<b>Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 4,127,735	\$ -
Cash received from assessment made to other funds	-	3,975,110
Cash payments to employees for services	(8,673,369)	(267,766)
Cash payments for goods and services	(8,807,339)	(2,526)
Cash payments for facility use	(128,273)	-
Cash payments for insurance premiums	-	(2,080,440)
Other operating cash payments	(564,536)	-
Net Cash Provided (Used) for Operating Activities	<u>(14,045,782)</u>	<u>1,624,378</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating grants received	14,363,534	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(23,555)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	2,009	66,147
Net Increase in Cash and Cash Equivalents	296,206	1,690,525
Cash and Cash Equivalents - Beginning	897,681	19,593,950
Cash and Cash Equivalents - Ending	<u>\$ 1,193,887</u>	<u>\$ 21,284,475</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (14,095,145)	\$ 796,228
Adjustments to reconcile operating income (loss) to net cash provided (used) for operating activities:		
Depreciation	37,166	-
Changes in assets and liabilities:		
Receivables	(139,054)	1,279
Inventories	(22,717)	-
Accrued liabilities	(2,262)	(2,129)
Due to other fund	149,538	-
Unearned revenue	26,692	-
Claims liability	-	829,000
<b>NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES</b>	<u>\$ (14,045,782)</u>	<u>\$ 1,624,378</u>
<b>NONCASH, NONCAPITAL FINANCING ACTIVITIES</b>		
During the year, the District received \$953,840 of food commodities from the U.S. Department of Agriculture.		

The accompanying notes are an integral part of these financial statements.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 20,872,209
Receivables	411,441
Stores inventories	82,575
<b>Total Assets</b>	<u><u>\$ 21,366,225</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 46,445
Due to student groups	2,342,499
Due to other bondholders	18,977,281
<b>Total Liabilities</b>	<u><u>\$ 21,366,225</u></u>

The accompanying notes are an integral part of these financial statements.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Corona-Norco Unified School District (the District) was organized in 1948 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates 31 elementary schools, eight middle schools, five high schools, a middle college, two continuation schools, one school for the severely handicapped, an independent study program, and one adult education school.

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, boards, and agencies that are not legally separate from the District. For Corona-Norco Unified School District, this includes general operations, food service, and student related activities of the District.

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may 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. 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. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Corona-Norco Unified School District, the Community Facilities Districts (the CFDs), the Corona-Norco Unified School District Land Acquisition Corporation (the Corporation), and the Corona-Norco Unified School District Public Financing Authority (the Authority) have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, for inclusion of the CFDs, the Authority, and the Corporation as component units of the District. Accordingly, the financial activities of the CFDs, Authority, and the Corporation have been included in the financial statements of the District. The financial statements present the Corporation's and Authority's financial activity within the Debt Service Fund for Blended Component Units and Capital Project Fund for Blended Units. The CFDs' financial activity is presented in the Capital Project Fund for Blended Component Units and the Agency Funds. All debt instruments issued by the Corporation and the Authority are included as long-term liabilities in the government-wide financial statement. Debt instruments issued by the CFD do not represent liabilities of the District or of the component units and are not included in the District-wide financial statements.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds and non-major governmental funds:

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. 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.

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

**Debt Service Fund for Blended Component Units** The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**Child Development Fund** The Child Development Fund is used to account separately for federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Capital Project Funds** The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board 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 et seq.).

**Capital Project Fund for Blended Component Units** The Capital Project Fund for Blended Component Units 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).

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the food service operations of the District.

**Internal Service Fund** Internal service funds may be used to account for good or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured workers' compensation program that is accounted for in an internal service fund.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District operates no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for associated student body (ASB) activities and funds held for the Communities Facilities Districts.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from the internal service fund and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**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 or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 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.

**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 balance sheet and revenue is recognized.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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Certain grants received before the eligibility requirements are met 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.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County investment pools are determined by the program sponsor.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

### **Stores Inventory**

Inventory is valued at lower of cost or market utilizing the weighted average method. Inventory in the applicable funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption in the government type funds and expenses in the proprietary and fiduciary type funds.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$15,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; equipment, 5 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned and reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

### 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 California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions 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. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$56,080,190 of restricted net position which is restricted by enabling legislation.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges to other funds for self-insurance and charges for food sales. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **Interfund Activity**

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **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.

### **Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

---

### Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$405,507,186. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources. The restatement does not include deferred inflows of resources, as this information was not available.

### **New Accounting Pronouncements**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 147,494,782
Business-type activities	1,193,887
Fiduciary funds	20,872,209
Total Deposits and Investments	<u>\$ 169,560,878</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 1,367,832
Cash in revolving	215,870
Investments	167,977,176
Total Deposits and Investments	<u>\$ 169,560,878</u>

#### Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	N/A	None	None
Registered State Bonds, Notes, Warrants	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Farmers Home Administration Certificates	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Farm Credit Banks Bonds and Notes	N/A	None	None
Federal Home Loan Banks Obligations	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Financing Corporation Obligations	N/A	None	None
Resolution Funding Corporation Obligations	N/A	None	None
Federal Housing Administration Certificates	N/A	None	None
General Services Administration Certificates	N/A	None	None
Government National Mortgage Association Mortgage-Backed Securities and Certificates	N/A	None	None
Small Business Administration Certificates	N/A	None	None
U.S. Department of Housing and Urban Development Bonds	N/A	None	None
U.S. Maritime Administration Financings	N/A	None	None
Washington Metropolitan Area Transit Authority Bonds	N/A	None	None
Unsecured Certificates of Deposit, Time Deposits, and Bankers' Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	N/A	None	None
Investment Agreement	N/A	None	None
Pre-Funded Municipal Obligations	N/A	None	None
State Sponsored Investment Pools (LAIF)	N/A	None	None
Guaranteed Pool Certificates	N/A	None	None

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Amount Reported	Fair Value	Maturity Date/ Average Maturity in Days
Riverside County Investment Pool	\$ 132,156,103	\$ 132,167,337	402 days
First American Treasury Obligations Money Market Mutual Funds	24,051,837	24,051,837	33 days
Abbey National, NA, LLC Commercial Paper	208,793	208,956	8/10/2015
Federal Home Loan Bank Discount Notes	1,908,625	1,953,883	8/28/2015
Federal Home Loan Mortgage Corporation Notes	208,028	207,757	1/27/2017
Federal Home Loan Mortgage Corporation Notes	2,053,505	2,053,505	3/7/2018
Federal Home Loan Mortgage Corporation Notes	984,364	978,124	3/8/2017
Federal Home Loan Mortgage Corporation Unsecured Senior Notes	2,854,705	2,840,174	7/28/2017
Federal Home Loan Mortgage Corporation Unsecured Senior Notes	1,687,548	1,677,889	5/21/2018
Federal National Mortgage Association Callable Notes	1,414,969	1,392,326	11/28/2017
Federal National Mortgage Association Notes	448,699	444,563	1/30/2017
Total	\$ 167,977,176	\$ 167,976,351	

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the District's investments have been rated Aaa by Moody's Investor Services as of June 30, 2015, other than Abbey National, NA LLC Commercial Paper, which has been rated P-1.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the *California Government Code*. However, the District has no investments in any one issuer that represent five percent or more of the total investments (excluding investments issued by or explicitly guaranteed by the U.S. government, investments in money market mutual funds, and investments in external investment pools).

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy for custodial credit risk for deposits. However, 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 agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, the District's bank balance of \$6,887,213 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Fund
Federal Government							
Categorical aid	\$ 1,426,015	\$ -	\$ 275,753	\$ -	\$ 1,701,768	\$ 327,178	\$ -
State Government							
Categorical aid	1,303,987	-	181,212	-	1,485,199	25,461	-
Lottery	5,106,422	-	-	-	5,106,422	-	-
Local Government							
Interest	64,323	5,611	2,824	16,579	89,337	-	-
Other Local Sources	1,656,945	12,945	42,649	-	1,712,539	23,601	411,441
<b>Total</b>	<b>\$ 9,557,692</b>	<b>\$ 18,556</b>	<b>\$ 502,438</b>	<b>\$ 16,579</b>	<b>\$ 10,095,265</b>	<b>\$ 376,240</b>	<b>\$ 411,441</b>

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

### NOTE 4 - LONG-TERM RECEIVABLES

The \$84,935,000 long-term receivable represents special taxes on parcels of taxable property within the Community Facilities Districts (CFDs) to be paid to the Corona-Norco Unified School District Public Financing Authority to pay principal and interest of bonds used to refinance CFDs' debt.

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 85,261,967	\$ 766,092	\$ -	\$ 86,028,059
Construction in process	103,155,118	25,942,124	-	129,097,242
Total Capital Assets Not Being Depreciated	188,417,085	26,708,216	-	215,125,301
Capital Assets Being Depreciated				
Land improvements	56,921,156	-	-	56,921,156
Buildings and improvements	932,268,299	874,770	-	933,143,069
Furniture and equipment	33,643,700	1,696,258	-	35,339,958
Total Capital Assets Being Depreciated	1,022,833,155	2,571,028	-	1,025,404,183
Less Accumulated Depreciation				
Land improvements	28,032,743	2,430,649	-	30,463,392
Buildings and improvements	276,291,214	26,914,227	-	303,205,441
Furniture and equipment	21,009,370	1,235,363	-	22,244,733
Total Accumulated Depreciation	325,333,327	30,580,239	-	355,913,566
Governmental Activities Capital Assets, Net	<u>\$ 885,916,913</u>	<u>\$ (1,300,995)</u>	<u>\$ -</u>	<u>\$ 884,615,918</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Buildings and improvements	\$ 333,035	\$ -	\$ -	\$ 333,035
Furniture and equipment	2,154,374	23,555	-	2,177,929
Total Capital Assets Being Depreciated	2,487,409	23,555	-	2,510,964
Less Accumulated Depreciation				
Buildings and improvements	173,259	4,261	-	177,520
Furniture and equipment	1,883,518	32,905	-	1,916,423
Total Accumulated Depreciation	2,056,777	37,166	-	2,093,943
Business-Type Activities Capital Assets, Net	<u>\$ 430,632</u>	<u>\$ (13,611)</u>	<u>\$ -</u>	<u>\$ 417,021</u>

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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Depreciation expense was charged to governmental and business-type functions as follows:

Governmental activities:		
Instruction		\$ 26,604,808
Supervision of instruction		672,765
School site administration		550,444
Home-to-school transportation		642,185
All other pupil services		152,901
Data processing		611,605
All other general administration		122,321
Plant services		1,223,210
	Total Depreciation Expenses Governmental Activities	<u>30,580,239</u>
Business-type activities:		
Food service		37,166
	Total Depreciation Expenses All Activities	<u><u>\$ 30,617,405</u></u>

**NOTE 6 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2015, between major governmental funds, non-major governmental funds, and non-major enterprise funds are as follows:

Due To	Due From		Total
	Non-Major Governmental Funds	Food Service Enterprise Fund	
General Fund	\$ 204,000	\$ 223,747	\$ 427,747
	<u>\$ 204,000</u>	<u>\$ 223,747</u>	<u>\$ 427,747</u>

A balance of \$204,000 due to the General Fund from the Child Development Non-Major Governmental Fund resulted from a temporary operating loan.

The balance of \$223,747 due to the General Fund from the Food Service Non-Major Enterprise Fund resulted from salaries, benefits, and other operating expenditure reimbursement.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer To	Transfer From			Total Governmental Funds
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	
Capital Facilities Fund	\$ -	\$ -	\$ 5,207	\$ 5,207
Debt Service Fund for Blended Component Units	-	2,359,863	-	2,359,863
Non-Major Governmental Funds	677,310	-	-	677,310
<b>Total</b>	<b>\$ 677,310</b>	<b>\$ 2,359,863</b>	<b>\$ 5,207</b>	<b>\$ 3,042,380</b>

The General Fund transferred to the Child Development Non-Major Governmental Fund for an operating contribution.	\$ 477,310
The General Fund transferred to the Building Non-Major Governmental Fund for an operating contribution.	200,000
The Capital Facilities Fund transferred to the Debt Service Fund for Blended Component Units for debt service requirements on outstanding certificates of participation.	2,359,863
The County School Facilities Non-Major Governmental Fund transferred to the Capital Facilities Fund for qualifying capital expenditures.	5,207
	<u>\$ 3,042,380</u>

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Food Service Enterprise Fund	Fiduciary Fund
Salaries and benefits	\$ 4,063,305	\$ 389	\$ 142,177	\$ 4,205,871	\$ -	\$ -
LCFF apportionment	9,435,003	-	-	9,435,003	-	-
Supplies	1,594,273	564,587	187,217	2,346,077	-	-
Services	2,658,543	138,177	1,103,066	3,899,786	3,681	-
Capital outlay	-	5,446,840	624,127	6,070,967	-	-
Other vendor payables	110,731	-	-	110,731	13,715	46,445
<b>Total</b>	<b>\$ 17,861,855</b>	<b>\$ 6,149,993</b>	<b>\$ 2,056,587</b>	<b>\$ 26,068,435</b>	<b>\$ 17,396</b>	<b>\$ 46,445</b>

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2015, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Food Service Enterprise Fund
Federal financial assistance	\$ 471,147	\$ -	\$ 471,147	\$ -
Other local	-	18,029	18,029	230,076
<b>Total</b>	<u>\$ 471,147</u>	<u>\$ 18,029</u>	<u>\$ 489,176</u>	<u>\$ 230,076</u>

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

	July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 306,714,116	\$ 9,133,900	\$ 9,350,000	\$ 306,498,016	\$ 10,485,000
Premium on issuance	15,849,268	-	766,079	15,083,189	-
2011 Refunding Certificates of Participation, Series A	27,880,000	-	1,125,000	26,755,000	1,160,000
Premium on issuance	755,697	-	49,285	706,412	-
Corona-Norco Unified School District Public Financing Authority Bonds	86,165,000	5,440,000	7,955,000	83,650,000	2,855,000
Capital leases	357,597	97,457	125,054	330,000	132,407
Claims liability	14,687,000	2,423,537	1,594,537	15,516,000	1,594,537
Supplemental early retirement plan (SERP)	6,900,832	-	2,889,205	4,011,627	1,365,209
Other postemployment benefits (OPEB)	7,606,008	2,738,703	1,281,657	9,063,054	-
Accumulated vacation - net	5,755,709	-	1,312,530	4,443,179	-
	<u>\$ 472,671,227</u>	<u>\$ 19,833,597</u>	<u>\$ 26,448,347</u>	<u>\$ 466,056,477</u>	<u>\$ 17,592,153</u>

- Payments for General Obligation Bonds are made in the Bond Interest and Redemption Fund.
- Payments for the Certificates of Participation are made in the Debt Service Fund for Blended Component Units.
- Payments for the Corona-Norco Unified School District Public Financing Authority Bonds are made in the Debt Service Fund for Blended Component Units.
- Payments for Capital Leases are made in the General Fund.
- Claims liability is paid from the Internal Service Fund.
- Payments for the Supplemental Early Retirement Plan and other postemployment benefits are made in the General Fund.
- Payments for accumulated vacations are typically liquidated in the General Fund, other Non-Major Governmental Funds, and the Food Service Enterprise Fund.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Dates	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding End of Year	
				Beginning of Year	Issued	Accreted		
7/1/00	2025	4.15-6.04%	\$ 14,885,534	\$ 15,268,313	\$ -	\$ 901,543	\$ 1,465,000	\$ 14,704,856
12/1/01	2026	3.00-5.72%	23,000,139	22,007,527	-	1,250,696	-	23,258,223
12/12/02	2027	2.50-5.71%	10,113,949	11,529,991	-	648,911	640,000	11,538,902
3/14/05	2023	2.05-4.49%	13,340,000	8,575,000	-	-	2,185,000	6,390,000
6/14/07	2031	3.52-4.35%	75,000,000	56,505,000	-	-	2,000,000	54,505,000
2/4/09	2034	3.00-6.11%	53,429,200	55,176,844	-	855,568	1,250,000	54,782,412
12/1/09	2039	2.50-7.08%	67,997,922	84,151,520	-	4,805,351	830,000	88,126,871
12/1/09	2036	4.772%	32,000,000	32,000,000	-	-	-	32,000,000
11/26/11	2027	2.00-5.50%	21,568,291	21,499,921	-	671,831	980,000	21,191,752
				<u>\$ 306,714,116</u>	<u>\$ -</u>	<u>\$ 9,133,900</u>	<u>\$ 9,350,000</u>	<u>\$ 306,498,016</u>

### 1998 General Obligations Bonds, Series B

On July 1, 2000, the District issued \$14,885,534 of 1998 General Obligation Bonds, Series B. The Series B Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$18,234,466, and an aggregate principal debt service balance of \$33,120,000. The bonds have a final maturity to occur on March 1, 2025, with interest rates ranging from 4.15 to 6.04 percent. Proceeds from the sale of the bonds were used to finance the construction of school facilities and the repair of existing school facilities. At June 30, 2015, the principal balance outstanding of the 1998 General Obligation Bonds, Series B was \$14,704,856.

### 1998 General Obligation Bonds, Series C

On December 1, 2001, the District issued \$23,000,139 of 1998 General Obligation Bonds, Series C. The Series C bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting \$23,459,861, and an aggregate principal debt service balance of \$46,460,000. The bonds have a final maturity to occur on September 1, 2026, with interest rates ranging from 3.00 to 5.72 percent. Proceeds from the sale of the bonds were used to finance the construction of school facilities and the repair of existing school facilities. At June 30, 2015, the principal balance outstanding on the 1998 General Obligation Bonds, Series C was \$23,258,223. Unamortized premium received on issuance of the bonds amounted to \$174,822 as of June 30, 2015.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **1998 General Obligation Bonds, Series D**

On December 12, 2002, the District issued \$10,113,949 of 1998 General Obligation Bonds, Series D. The Series D bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$13,461,051, and an aggregate principal debt service balance of \$23,575,000. The bonds have a final maturity on September 1, 2027, with interest rates ranging from 2.5 to 5.71 percent. Proceeds from the sale of the bonds were used to finance the construction of school facilities and the repair of existing school facilities. At June 30, 2015, the principal balance outstanding of the 1998 General Obligation Bonds, Series D was \$11,538,902. Unamortized premium received on issuance of the bonds amounted to \$125,353, as of June 30, 2015.

### **2005 General Obligation Refunding Bonds**

On March 14, 2005, the District issued \$13,340,000 of 2005 General Obligation Refunding Bonds. The bonds have a final maturity to occur on September 1, 2023, with interest rates ranging from 2.05 percent to 4.49 percent. The net proceeds from the issuance were used to advance refund the outstanding balance of the \$17,000,000 of the 1998 General Obligations Bonds, Series A, and to advance refund a portion of the \$23,300,139 1998 General Obligation Bonds, Series C. At June 30, 2015, the principal balance outstanding of the 2005 General Obligation Refunding Bonds was \$6,390,000. Unamortized premium received on issuance of the bonds amounted to \$139,964, as of June 30, 2015.

### **2006 General Obligation Bonds, Series A**

On June 14, 2007, the District issued \$75,000,000 of 2006 General Obligation Bonds, Series A. The bonds have a final maturity to occur on August 1, 2031, with interest yields rates ranging from 3.52 to 4.35 percent. Proceeds from the sale of the bonds were used to finance various school facilities of the District. At June 30, 2015, the principal balance outstanding of the 2006 General Obligation Bonds, Series A was \$54,505,000. Unamortized premium received on issuance of the bonds amounted to \$2,713,905, as of June 30, 2015.

### **2006 General Obligation Bonds, Series B**

On February 4, 2009, the District issued \$53,429,200 of 2006 General Obligation Bonds, Series B. The Series B Bonds were issued as both current interest bonds and capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$18,630,800, and an aggregate principal debt service balance of \$72,060,000. The bonds have a final maturity to occur on February 1, 2034, with interest rates ranging from 3.0 to 6.11 percent. Proceeds from the sale of the bonds were used to finance the construction of school facilities and the repair of existing school facilities. As of June 30, 2015, the principal balance outstanding on the 2006 General Obligation Bonds, Series B was \$54,782,412. Unamortized premium received on issuance of the bonds amounted to \$3,206,353, as of June 30, 2015.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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### **2006 General Obligation Bonds, Series C**

On December 1, 2009, the District issued \$67,997,922 of 2006 General Obligation Bonds, Series C. The Series C Bonds were issued as current interest bonds, capital appreciation bonds, and convertible capital appreciation bonds, with the value of the capital appreciation bonds accreting to \$87,472,171, and an aggregate principal debt service balance of \$155,470,093. The bonds have a final maturity to occur on August 1, 2039, with interest rates ranging from 2.50 to 7.08 percent. Proceeds from the sale of the bonds were used to pay off the 2009 General Obligation Bond Anticipation Notes, with any remaining amount to be used to finance the construction of school facilities and the repair of existing school facilities. As of June 30, 2015, the principal balance outstanding on the 2006 General Obligation Bonds, Series C was \$88,126,871. Unamortized premium received on issuance of the bonds amounted to \$8,553,944, as of June 30, 2015.

### **2006 General Obligation Bonds, Series D**

On December 1, 2009, the District issued \$32,000,000 of 2006 General Obligation Bonds, Series D. The bonds have a final maturity to occur on August 1, 2036 and yield an interest rate of 4.772 percent. Proceeds from the sale of the bonds were used to finance the construction of school facilities and the repair of existing school facilities. As of June 30, 2015, the principal balance outstanding on the 2006 General Obligation Bonds, Series D was \$32,000,000.

### **2006 General Obligation Bonds, Series E**

On November 26, 2011, the Corona-Norco Unified School District issued \$21,568,291 of 2006 General Obligation Bonds, Series E. The Series E bonds represent the fifth and final series of authorized bonds not to exceed \$250,000,000 to be issued under the measure as approved by the voters. The Series E bonds were issued as current interest bonds and convertible capital appreciation bonds, with the value of convertible capital appreciation bonds accreting to \$7,411,709, and an aggregate principle debt service balance of \$28,980,000. T

The bonds have a final maturity on August 1, 2027, with interest rates ranging from 2.00 to 5.50 percent. Proceeds from the sale of bonds were used to finance the construction of school facilities and repair of existing school facilities. On June 30, 2015, the principal balance outstanding on the 2006 General Obligation Bonds, Series E was \$21,191,752. Unamortized premium received on issuance as of June 30, 2015, amounted to \$168,848.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

The general obligation bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2016	\$ 10,398,308	\$ 86,692	\$ 9,444,699	\$ 19,929,699
2017	10,998,318	636,682	9,199,211	20,834,211
2018	11,207,778	1,532,222	9,966,756	22,706,756
2019	10,267,721	1,722,279	10,745,814	22,735,814
2020	10,789,304	2,410,696	10,530,023	23,730,023
2021-2025	55,517,543	28,987,457	53,053,188	137,558,188
2026-2030	60,314,492	27,145,508	45,347,338	132,807,338
2031-2035	63,582,078	10,445,275	31,318,813	105,346,166
2036-2040	73,422,474	36,440,266	9,905,973	119,768,713
Total	\$ 306,498,016	\$ 109,407,077	\$ 189,511,815	\$ 605,416,908

### 2011 Refunding Certificates of Participation, Series A

In September 2010 the Corona-Norco Unified School District Land Acquisition Corporation issued the 2011 Refunding Certificates of Participation, Series A in the amount of \$32,125,000. The certificates have a final maturity to occur on April 15, 2031, with interest rates ranging from 4.625 to 5.000 percent. Proceeds from the sale of the certificates were used to provide for the current refunding of the District's \$38,105,000 Certificates of Participation. As of June 30, 2015, the principal balance is \$26,755,000. Unamortized premium on issuance and deferred charge on refunding were \$706,412, and \$127,805, respectively.

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,160,000	\$ 1,224,719	\$ 2,384,719
2017	1,205,000	1,178,319	2,383,319
2018	1,245,000	1,139,194	2,384,194
2019	1,310,000	1,076,944	2,386,944
2020	1,375,000	1,011,444	2,386,444
2021-2025	7,910,000	4,012,969	11,922,969
2026-2030	9,820,000	2,105,844	11,925,844
2031	2,730,000	151,962	2,881,962
Total	\$ 26,755,000	\$ 11,901,395	\$ 38,656,395

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

### Corona-Norco Unified School District Public Financing Authority Bonds

The Corona-Norco Unified School District Public Financing Authority (PFA) was created to refinance the Community Facility Districts' (CFD) debt. The 2005 PFA, Series B Refunding Bonds refinanced the debt for CFDs 1997-1, 1999-1, 1999-2, and 2002-1. The 2006 PFA, Series A and Series B bonds refinanced the debt for CFDs 2004-2 Area 2 and 2004-2 Area 3, respectively. Lastly, the 2013 PFA, Series A and Series B bonds refinanced the debt for CFD 2000-1, 2001-1 Area A and B, 2001-2 Area A, 2003-3 Area A and B, CFD 2003-4, 2001-2 Area B, 2001-2 Area C, 2003-2, 2003-5, and 2003-1. As of June 30, 2015, the principal balance is \$83,650,000.

Fiscal Year	Principal	Current Interest to Maturity	Total
2016	\$ 2,855,000	\$ 3,260,834	\$ 6,115,834
2017	2,875,000	3,180,574	6,055,574
2018	2,995,000	3,086,412	6,081,412
2019	3,090,000	2,981,932	6,071,932
2020	3,225,000	2,866,092	6,091,092
2021-2025	18,430,000	12,246,500	30,676,500
2026-2030	23,190,000	8,035,313	31,225,313
2031-2035	22,875,000	3,071,985	25,946,985
2036-2037	4,115,000	151,903	4,266,903
Total	<u>\$ 83,650,000</u>	<u>\$ 38,881,545</u>	<u>\$ 122,531,545</u>

### Capital Leases

The District has entered into agreements to lease various mail room equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on leases agreements with option to purchase is summarized below:

Balance, Beginning of Year	\$ 376,963
Additions	106,462
Payments	(139,623)
Balance, End of Year	<u>\$ 343,802</u>

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	\$ 161,702
2017	143,837
2018	25,509
2019	12,754
Total	<u>343,802</u>
Less: Amount Representing Interest	(13,802)
Present Value of Minimum Lease Payments	<u><u>\$ 330,000</u></u>

### Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2015, amounted to \$15,516,000, using a discount factor of 1.50 percent.

### Supplemental Early Retirement Plan (SERP)

The District adopted a supplemental retirement plan whereby certain eligible certificated non-management and certificated/classified management employees are provided an annuity to supplement the retirement benefits they are entitled to through their respective retirement systems. The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for 139 employees who retired during the 2009-2010 school year, and 139 employees who retired during the 2010-2011 school year, were purchased from Pacific Life Insurance Company. As of June 30, 2015, the balance of the obligation associated with the supplemental early retirement plan was \$4,011,627.

Future payments are as follows:

Year Ending June 30,	Annual Payment
2016	\$ 1,365,209
2017	1,323,209
2018	1,323,209
Total	<u><u>\$ 4,011,627</u></u>

# **CORONA-NORCO UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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### **Other Postemployment Benefits (OPEB) Obligation**

The District's annual required contribution for the year ended June 30, 2015, was \$2,744,386, and contributions made by the District during the year were \$1,281,657. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$361,286 and \$(366,969), respectively, which resulted in an increase to the net OPEB obligation of \$1,457,046. As of June 30, 2015, the net OPEB obligation was \$9,063,054. See Note 13 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### **Accumulated Unpaid Employee Vacation**

The accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$4,443,179.

### **NOTE 10 - NON-OBLIGATORY DEBT**

Non-obligatory debt relates to debt issuances issued by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies, should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Special Tax Bonds include several Community Facilities Districts with a remaining balance as of June 30, 2015, of \$62,260,000.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 11 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total
<b>Nonspendable</b>						
Revolving cash	\$ 205,000	\$ -	\$ -	\$ -	\$ -	\$ 205,000
Stores inventories	161,782	-	-	-	-	161,782
Prepaid expenditures	87,503	-	-	-	-	87,503
<b>Total Nonspendable</b>	<b>454,285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>454,285</b>
<b>Restricted</b>						
Legally restricted programs	2,615,761	-	-	-	-	2,615,761
Capital projects	-	2,201,164	-	-	1,019,189	3,220,353
Debt services	-	-	19,882,731	28,426,097	-	48,308,828
<b>Total Restricted</b>	<b>2,615,761</b>	<b>2,201,164</b>	<b>19,882,731</b>	<b>28,426,097</b>	<b>1,019,189</b>	<b>54,144,942</b>
<b>Committed</b>						
Adult education program	-	-	-	-	568,364	568,364
Deferred maintenance program	-	-	-	-	2,486,175	2,486,175
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,054,539</b>	<b>3,054,539</b>
<b>Assigned</b>						
Site carryover	3,440,945	-	-	-	-	3,440,945
Extra duty carryover	114,299	-	-	-	-	114,299
Minolta carryover	495,859	-	-	-	-	495,859
Fundraiser/ASB	1,199,316	-	-	-	-	1,199,316
Use of facilities	339,255	-	-	-	-	339,255
Local grants	788,034	-	-	-	-	788,034
Vacation payout	905,317	-	-	-	-	905,317
LCAP carryover	1,264,403	-	-	-	-	1,264,403
<b>Total Assigned</b>	<b>8,547,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,547,428</b>
<b>Unassigned</b>						
Reserve for economic uncertainties	9,014,180	-	-	-	-	9,014,180
Remaining unassigned	34,989,040	-	-	-	-	34,989,040
<b>Total Unassigned</b>	<b>44,003,220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,003,220</b>
<b>Total</b>	<b>\$ 55,620,694</b>	<b>\$ 2,201,164</b>	<b>\$ 19,882,731</b>	<b>\$ 28,426,097</b>	<b>\$ 4,073,728</b>	<b>\$ 110,204,414</b>

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 12 - EXPENDITURES (BUDGET VERSUS ACTUALS)

At June 30, 2015, the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	<u>\$ 448,279,500</u>	<u>\$ 450,806,448</u>	<u>\$ 2,526,948</u>

Total actual expenditures include on behalf expenditures of \$12,339,862.

### NOTE 13 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Plan provides health benefits to eligible retirees and their spouses based on agreements entered into with the Corona-Norco Teachers Association (CNTA), and the local California Service Employees Association (CSEA). These agreements require the District to provide postemployment health care benefits up to \$3,800 annually for certificated retirees and \$4,850 annually for classified retirees, to all employees who retire from the District on or after attaining the age of 50, with at least 10 years of service. Participants to the Plan include 253 retirees and their beneficiaries currently receiving benefits, and 3,068 active employees eligible for these benefits in a future period.

#### Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the CNTA, and CSEA. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$1,281,657 to the Plan, all of which was used for current premiums (approximately 46.5 percent of total premiums). Plan members receiving benefits contributed \$1,474,395 or approximately 53.5 percent of the total premiums.

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

Annual required contribution	\$ 2,744,386
Interest on net OPEB obligation	361,286
Adjustment to annual required contribution	(366,969)
Annual OPEB cost	<u>2,738,703</u>
Contributions made	<u>(1,281,657)</u>
Increase in net OPEB obligation	1,457,046
Net OPEB obligation, beginning of year	<u>7,606,008</u>
Net OPEB obligation, end of year	<u><u>\$ 9,063,054</u></u>

### Trend information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 2,676,187	\$ 2,025,026	75.67%	\$ 6,207,746
2014	2,739,747	1,341,485	48.96%	7,606,008
2015	2,738,703	1,281,657	46.80%	9,063,054

### Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 1, 2014	\$ -	\$ 24,567,683	\$ 24,567,683	0%	\$ 278,024,318	8.84%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2014, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates reflected an ultimate rate of four percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2015, was 22 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

### NOTE 14 - RISK MANAGEMENT

#### Description

The District accounts for risk management activities in the General Fund and in the Internal Service Fund. The purpose of the Internal Service Fund is to administer the workers' compensation program for the District. The activity of the Internal Service Fund does not constitute a transfer of risk from the District. All other risk financing activities are accounted for in the General Fund including employee benefit programs, and property and liability coverage. The District's property and liability programs are covered through the District's participation in Southern California Regional Liability Excess Fund (SCR). The District's has contracted with Self Insured Schools of California (SISC) and Voluntary Employee Beneficiary Association (VEBA) to provide employee health benefits. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan. The District purchases excess liability insurance for the liability and property coverages from Safety National Insurance commercial carrier. Refer to Note 17 for additional information regarding JPAs.

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**Unpaid Claims Liabilities**

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. Claims liabilities of \$15,516,000 have been discounted at 1.50 percent as of June 30, 2015. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2013 to June 30, 2015:

	Workers' Compensation
Liability Balance, July 1, 2013	\$ 13,931,000
Claims and changes in estimates	2,389,050
Claims payments	(1,633,050)
Liability Balance, June 30, 2014	14,687,000
Claims and changes in estimates	2,423,537
Claims payments	(1,594,537)
Liability Balance, June 30, 2015	<u>\$ 15,516,000</u>
Assets available to pay claims at June 30, 2015	<u><u>\$ 21,301,054</u></u>

**NOTE 15 - EMPLOYEE RETIREMENT SYSTEMS**

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 294,991,961	\$ 22,082,986	\$ 72,641,209	\$ 25,566,136
CalPERS	50,553,827	6,625,269	17,370,861	4,484,535
Total	<u>\$ 345,545,788</u>	<u>\$ 28,708,255</u>	<u>\$ 90,012,070</u>	<u>\$ 30,050,671</u>

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### **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 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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, 2015, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$22,082,986.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 294,991,961
State's proportionate share of the net pension liability associated with the District	178,128,882
Total	<u><u>\$ 473,120,843</u></u>

The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.5048 percent.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$25,566,136 and revenue and pension expense of \$2,997,766 for support provided by the State. At June 30, 2015, 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	\$ 22,082,986	\$ -
Difference between projected and actual earnings on pension plan investments	-	72,641,209
Total	<u>\$ 22,082,986</u>	<u>\$ 72,641,209</u>

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 18,160,302
2017	18,160,302
2018	18,160,302
2019	18,160,303
Total	<u>\$ 72,641,209</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 459,815,318
Current discount rate (7.60%)	294,991,961
1% increase (8.60%)	157,559,236

### **California Public Employees Retirement System (CalPERS)**

#### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

#### **Benefits Provided**

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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the 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 contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$6,625,269.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$50,553,827. The net pension liability was measured as of June 30, 2014. 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. At June 30, 2015, the District's proportion was 0.4453 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$4,484,535.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

At June 30, 2015, 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	\$ 6,625,269	\$ -
Difference between projected and actual earnings on pension plan investments	-	17,370,861
Total	<u>\$ 6,625,269</u>	<u>\$ 17,370,861</u>

The deferred outflow 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 year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 4,342,715
2017	4,342,715
2018	4,342,715
2019	4,342,716
Total	<u>\$ 17,370,861</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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 returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

### Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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 (6.50%)	\$ 88,682,952
Current discount rate (7.50%)	50,553,827
1% increase (8.50%)	18,693,098

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 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.

### 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 in the amount of \$12,339,862 (5.679 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 16 - COMMITMENTS AND CONTINGENCIES

### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

## NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Southern California Regional Liability Excess Fund (SCR), Self Insured Schools of California (SISC), Voluntary Employee Beneficiary Association (VEBA) joint powers authorities. The District pays an annual premium to SCR for liability and property coverage. Payments for health benefits are paid to SISC and VEBA. The relationship between the District and the pools are such that the pools are not component units of the District for financial reporting purposes.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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These entities have budgeting and financial reporting requirements independent of their member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the entities.

During the year ended June 30, 2015, the District made a payment of \$1,178,068, \$11,887,285, and \$23,355,135 to SCR, SISC, and VEBA, respectively, for the coverage noted above.

### NOTE 18 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### Government-Wide Financial Statements

Net Position - Beginning	\$ 642,690,598
Adoption of GASB Statement No. 68	
Inclusion of net pension liability	(429,405,315)
Inclusion of deferred outflows of resources	23,898,129
Net Position - Beginning as Restated	<u><u>\$ 237,183,412</u></u>

### NOTE 19 - SUBSEQUENT EVENT

#### 2014 General Obligation Bonds, Series A

On July 8, 2015, the Corona-Norco Unified School District issued the 2014 General Obligation Bonds, Series A in the amount of \$99,995,000. The Series A bonds represent the first series of authorized bonds (not to exceed \$396,000,000) to be issued under the measure as approved by the voters. The Series A bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$108,057,551 (representing principal amount of \$99,995,000 plus an original issue premium of \$8,728,495 less cost of issuance of \$665,944). Proceeds from the sale of bonds will be used for the financing of acquisition and construction of facilities.

#### 2015 General Obligation Refunding Bonds

On July 8, 2015, the Corona-Norco Unified School District issued the 2015 General Obligation Refunding Bonds in the amount of \$51,675,000. The Refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$57,052,753 (representing principal amount of \$51,675,000 plus an original issue premium of \$5,725,654 less cost of issuance of \$347,901). Proceeds from the sale of bonds will be used to refund a portion of the District's outstanding 2005 General Obligation Refunding Bonds and 2006 General Obligation Bonds, Series A.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative) Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 324,076,732	\$ 362,214,734	\$ 362,704,481	\$ 489,747
Federal sources	24,127,837	22,532,960	20,462,358	(2,070,602)
Other State sources	54,996,471	47,230,467	59,809,531	12,579,064
Other local sources	5,236,599	3,142,325	3,744,448	602,123
<b>Total Revenues</b>	<b>408,437,639</b>	<b>435,120,486</b>	<b>446,720,818</b>	<b>11,600,332</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	230,078,988	247,362,600	247,048,166	314,434
Classified salaries	53,638,660	61,719,189	62,182,166	(462,977)
Employee benefits	62,193,262	65,734,527	77,857,293	(12,122,766)
Books and supplies	26,880,496	19,866,527	14,748,568	5,117,959
Services and operating expenditures	45,335,594	50,945,093	48,130,614	2,814,479
Capital outlay	816,933	210,830	630,853	(420,023)
Other outgo	(650,678)	(618,534)	(608,144)	(10,390)
Debt service - principal	144,450	148,515	125,054	23,461
Debt service - interest	5,938	-	14,568	(14,568)
<b>Total Expenditures</b>	<b>418,443,643</b>	<b>445,368,747</b>	<b>450,129,138</b>	<b>(4,760,391)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(10,006,004)</b>	<b>(10,248,261)</b>	<b>(3,408,320)</b>	<b>6,839,941</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,439,254	-	-	-
Other sources - capital lease	-	-	97,457	97,457
Transfers out	(116,330)	(2,910,753)	(677,310)	2,233,443
<b>Net Financing Sources (Uses)</b>	<b>2,322,924</b>	<b>(2,910,753)</b>	<b>(579,853)</b>	<b>2,330,900</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(7,683,080)</b>	<b>(13,159,014)</b>	<b>(3,988,173)</b>	<b>9,170,841</b>
<b>Fund Balance - Beginning</b>	<b>59,608,867</b>	<b>59,608,867</b>	<b>59,608,867</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 51,925,787</b>	<b>\$ 46,449,853</b>	<b>\$ 55,620,694</b>	<b>\$ 9,170,841</b>

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 FUNDING PROGRESS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability Accrued (AAL) - Unprojected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
June 1, 2009	\$ -	\$ 14,858,902	\$ 14,858,902	0%	\$ 262,713,503	5.66%
June 1, 2011	-	25,619,878	25,619,878	0%	269,645,268	9.50%
April 1, 2014	-	24,567,683	24,567,683	0%	278,024,318	8.84%

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>
<b>CalSTRS</b>	
District's proportion of the net pension liability	<u>0.5048%</u>
District's proportionate share of the net pension liability	\$ 294,991,961
State's proportionate share of the net pension liability associated with the District	<u>178,128,882</u>
Total	<u><u>\$ 473,120,843</u></u>
District's covered - employee payroll	<u>\$ 230,677,774</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>127.88%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
<b>CalPERS</b>	
District's proportion of the net pension liability	<u>0.4453%</u>
District's proportionate share of the net pension liability	<u>\$ 50,553,827</u>
District's covered - employee payroll	<u>\$ 47,346,544</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>106.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
Contractually required contribution	\$ 22,082,986
Contributions in relation to the contractually required contribution	<u>(22,082,986)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 248,682,275</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
 <b>CalPERS</b>	
Contractually required contribution	\$ 6,625,269
Contributions in relation to the contractually required contribution	<u>(6,625,269)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 56,284,674</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

Note: In the future, as data become available, ten years of information will be presented.

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*SUPPLEMENTARY INFORMATION*

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**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Fund for the Improvement of Education			
Elementary Counseling Grant	84.215E	[1]	\$ 7,500
Secondary Counseling Grant	84.215E	[1]	7,500
Subtotal Fund for Improvement of Education			<u>15,000</u>
ARRA State Fiscal Stabilization Fund – Innovation Fund, Recovery Act	84.396C	[1]	765,020
Passed through California Department of Education (CDE)			
Adult Education and Family Literacy Act			
Adult Education - Basic Grants to States:			
Adult Basic Education and ESL	84.002A	14508	298,473
Adult Secondary Education	84.002	13978	324,212
English Literacy and Civics Education	84.002A	14109	184,673
Subtotal Adult Education - Basic Grants to States			<u>807,358</u>
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	7,946,919
English Language Acquisition Grants:			
Title III - Immigrant Education	84.365	15146	69,998
Title III - Limited English Proficient Student Program	84.365	14346	677,712
Subtotal - English Language Acquisition Grants			<u>747,710</u>
Title II, Part A - Improving Teacher Quality	84.367	14341	744,105
Title II, Part B - CA Mathematics and Science Partnerships	84.366	14512	49,804
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	7,634,683
Preschool Grant	84.173	13430	148,078
Preschool Local Entitlement	84.027A	13682	358,446
Preschool Staff Development	84.173A	13431	2,810
Mental Health Allocation Plan	84.027	14468	436,249
Subtotal - Special Education (IDEA) Cluster			<u>8,580,266</u>
Early Intervention For Early Start Program	84.181	23761	148,995
Carl D. Perkins Vocational and Technical Education Act of 1998			
Secondary Education	84.048	14894	340,581
Passed through California Department of Rehabilitation			
Workability II - Transition Partnership	84.126	10006	342,086
Total U.S. Department of Education			<u>20,487,844</u>

[1] Direct award.

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	\$ 634,932
Passed through CDE			
Federal Child Care - Center Based	93.596	13609	19,840
Child Care and Development Block Grant	93.575	15136	11,412
Total U.S. Department of Health and Human Services			<u>666,184</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	9,788,207
Basic School Breakfast Program	10.553	13390	11,214
Especially Needy Breakfast Program	10.553	13390	1,908,088
Summer Food Service Program	10.559	13004	53,125
Commodities	10.555	13396	953,840
Subtotal - Child Nutrition Cluster			<u>12,714,474</u>
Child and Adult Care Food Program	10.558	13666	680,062
Forest Reserve	10.665	10044	15,320
Total U.S. Department of Agriculture			<u>13,409,856</u>
Total Expenditures of Federal Awards			<u>\$ 34,563,884</u>

See accompanying note to supplementary information.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### ORGANIZATION

The District was established as a unified school district in 1948. The District conducts a kindergarten through twelfth grade educational program for approximately 50,000 students through 31 elementary schools, eight middle schools, five high schools, a middle college, two continuation schools, one school for the severely handicapped, an independent study program, and one adult education school. The District is located in Riverside County and occupies the western regions of Riverside, the City of Corona, and the City of Norco. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Jose W. Lalas, Ph.D.	President	2016
Cathy L. Sciortino	Vice President	2016
Bill Newberry	Clerk	2018
Mary Ybarra	Member	2016
John Zickfoose	Member	2018

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Michael H. Lin, Ed.D.	Superintendent
Sherry Mata	Deputy Superintendent, Business Services
Samuel Buenrostro, Ed.D.	Assistant Superintendent, Human Resources
Lisa Simon, Ed.D.	Assistant Superintendent, Educational Services
Ted E. Rozzi	Assistant Superintendent, Facilities
Michael G. Cobarrubias	Assistant Superintendent, Instructional Support

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	Final Report	
	Second Period Report E07A1462	Annual Report 6D67C719
Regular ADA		
Transitional kindergarten through third	15,015.93	15,005.61
Fourth through sixth	11,830.47	11,813.57
Seventh and eighth	7,956.87	7,943.99
Ninth through twelfth	16,952.08	16,819.27
Total Regular ADA	<u>51,755.35</u>	<u>51,582.44</u>
Extended Year Special Education		
Transitional kindergarten through third	19.98	19.98
Fourth through sixth	16.54	16.54
Seventh and eighth	6.58	6.58
Ninth through twelfth	27.46	27.46
Total Extended Year Special Education	<u>70.56</u>	<u>70.56</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.47	3.29
Fourth through sixth	4.44	4.66
Seventh and eighth	6.36	7.02
Ninth through twelfth	20.85	20.34
Total Special Education, Nonpublic, Nonsectarian Schools	<u>35.12</u>	<u>35.31</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.61	0.67
Fourth through sixth	0.57	0.71
Seventh and eighth	0.70	0.85
Ninth through twelfth	3.08	3.35
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>4.96</u>	<u>5.58</u>
Total ADA	<u><u>51,865.99</u></u>	<u><u>51,693.89</u></u>

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2015**

Grade Level	1986-87	Reduced	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	36,000	180	175	Complied
Grades 1 - 3	50,400	49,000				
Grade 1			50,725	180	175	Complied
Grade 2			50,725	180	175	Complied
Grade 3			50,725	180	175	Complied
Grades 4 - 6	54,000	52,500				
Grade 4			54,113	180	175	Complied
Grade 5			54,113	180	175	Complied
Grade 6			54,113	180	175	Complied
Grades 7 - 8	54,000	52,500				
Grade 7			60,500	180	175	Complied
Grade 8			60,500	180	175	Complied
Grades 9 - 12	64,800	63,000				
Grade 9			64,920	180	-	Complied
Grade 10			64,920	180	-	Complied
Grade 11			64,920	180	-	Complied
Grade 12			64,920	180	-	Complied

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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There were no adjustments to the Unaudited Actual Financial Report, which require reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

	(Budget)			
	2016 <sup>1</sup>	2015	2014	2013
<b>GENERAL FUND</b>				
Revenues and other sources	\$ 517,308,818	\$ 446,818,275	\$ 420,725,418	\$ 387,853,393
Expenditures	498,366,488	450,129,138	411,889,633	385,637,406
Other uses and transfers out	477,997	677,310	171,870	166,645
Total Expenditures and Other Uses	498,844,485	450,806,448	412,061,503	385,804,051
<b>INCREASE (DECREASE)</b>				
IN FUND BALANCE	\$ 18,464,333	\$ (3,988,173)	\$ 8,663,915	\$ 2,049,342
ENDING FUND BALANCE	\$ 74,085,027	\$ 55,620,694	\$ 59,608,867	\$ 50,944,952
AVAILABLE RESERVES <sup>2</sup>	\$ 9,976,890	\$ 44,003,220	\$ 42,801,038	\$ 44,088,138
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	2.0%	9.8%	10.7%	11.8%
LONG-TERM OBLIGATIONS	NA	\$ 466,056,477	\$472,671,227	\$477,429,853
K-12 AVERAGE DAILY ATTENDANCE AT P-2	51,827	51,866	51,788	51,273

The General Fund balance has increased by \$4,675,742 over the past two years. The fiscal year 2015-2016 budget projects an additional increase of \$18,464,333 (33.2 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have decreased by \$11,373,376 over the past two years.

Average daily attendance has increased by 593 over the past two years. A decline of 39 ADA is anticipated during fiscal year 2015-2016.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments of \$11,421,169 and \$10,667,821, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014 and 2013, respectively.

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>				
Deposits and investments	\$ 125,472	\$ 204,000	\$ 3,014,532	\$ 1,486,713
Receivables	495,133	-	7,275	30
<b>Total Assets</b>	<b>\$ 620,605</b>	<b>\$ 204,000</b>	<b>\$ 3,021,807</b>	<b>\$ 1,486,743</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 34,212	\$ -	\$ 535,632	\$ 1,486,743
Due to other funds	-	204,000	-	-
Unearned revenue	18,029	-	-	-
<b>Total Liabilities</b>	<b>52,241</b>	<b>204,000</b>	<b>535,632</b>	<b>1,486,743</b>
<b>Fund Balances:</b>				
Restricted	-	-	-	-
Committed	568,364	-	2,486,175	-
<b>Total Fund Balances</b>	<b>568,364</b>	<b>-</b>	<b>2,486,175</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 620,605</b>	<b>\$ 204,000</b>	<b>\$ 3,021,807</b>	<b>\$ 1,486,743</b>

See accompanying note to supplementary information.

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<b>County School Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ 1,019,189	\$ 5,849,906
-	-	502,438
<u>\$ -</u>	<u>\$ 1,019,189</u>	<u>\$ 6,352,344</u>
\$ -	\$ -	\$ 2,056,587
-	-	204,000
-	-	18,029
<u>-</u>	<u>-</u>	<u>2,278,616</u>
-	1,019,189	1,019,189
-	-	3,054,539
<u>-</u>	<u>1,019,189</u>	<u>4,073,728</u>
<u>\$ -</u>	<u>\$ 1,019,189</u>	<u>\$ 6,352,344</u>

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>				
Federal sources	\$ 807,358	\$ 31,252	\$ -	\$ -
Other State sources	224,879	44,982	-	-
Other local sources	129,852	-	14,833	2,602,310
<b>Total Revenues</b>	<u>1,162,089</u>	<u>76,234</u>	<u>14,833</u>	<u>2,602,310</u>
<b>EXPENDITURES</b>				
Current				
Instruction	1,032,092	549,382	-	-
Instruction-related activities:				
School site administration	368,829	-	-	-
Administration:				
All other administration	12,588	4,162	-	-
Plant services	66,859	-	2,888,864	-
Facility acquisition and construction	-	-	270,133	2,802,310
Other outgo	-	-	-	-
<b>Total Expenditures</b>	<u>1,480,368</u>	<u>553,544</u>	<u>3,158,997</u>	<u>2,802,310</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(318,279)</u>	<u>(477,310)</u>	<u>(3,144,164)</u>	<u>(200,000)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	477,310	-	200,000
Transfers out	-	-	-	-
<b>Net Financing Sources (Uses)</b>	<u>-</u>	<u>477,310</u>	<u>-</u>	<u>200,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(318,279)</u>	<u>-</u>	<u>(3,144,164)</u>	<u>-</u>
<b>Fund Balances - Beginning</b>	886,643	-	5,630,339	-
<b>Fund Balances - Ending</b>	<u>\$ 568,364</u>	<u>\$ -</u>	<u>\$ 2,486,175</u>	<u>\$ -</u>

See accompanying note to supplementary information.

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<b>County School Facilities Fund</b>	<b>Capital Project Fund for Blended Component Units</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ 838,610
-	-	269,861
31,637	-	2,778,632
<u>31,637</u>	<u>-</u>	<u>3,887,103</u>
-	-	1,581,474
-	-	368,829
-	-	16,750
-	-	2,955,723
13,908,737	-	16,981,180
-	4,342	4,342
<u>13,908,737</u>	<u>4,342</u>	<u>21,908,298</u>
<u>(13,877,100)</u>	<u>(4,342)</u>	<u>(18,021,195)</u>
-	-	677,310
<u>(5,207)</u>	<u>-</u>	<u>(5,207)</u>
<u>(5,207)</u>	<u>-</u>	<u>672,103</u>
(13,882,307)	(4,342)	(17,349,092)
13,882,307	1,023,531	21,422,820
<u>\$ -</u>	<u>\$ 1,019,189</u>	<u>\$ 4,073,728</u>

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2015

(Dollar amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 20,462	4.6	\$ 22,305	5.3	\$ 19,809	5.2
State and local revenue included in Local Control Funding Formula	362,705	81.2	325,288	77.8	271,867	71.1
Other State revenue	59,810	13.4	65,064	15.6	87,719	22.9
Other local revenue	3,744	0.8	5,629	1.3	2,925	0.8
Total Revenues	<u>446,721</u>	<u>100.0</u>	<u>418,286</u>	<u>100.0</u>	<u>382,320</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Certificated salaries	247,048	55.3	226,810	54.2	217,261	56.8
Classified salaries	62,182	13.9	50,896	12.2	47,352	12.4
Employee benefits	77,857	17.4	72,853	17.4	71,225	18.6
Total Salaries and Benefits	<u>387,087</u>	<u>86.6</u>	<u>350,559</u>	<u>83.8</u>	<u>335,838</u>	<u>87.8</u>
Books and supplies	14,749	3.3	16,110	3.9	10,624	2.8
Contracts and operating expenses	48,131	10.8	44,694	10.7	39,140	10.2
Capital outlay	631	0.1	920	0.2	233	0.1
Other outgo	(469)	(0.1)	(394)	(0.1)	(198)	(0.1)
Total Expenditures	<u>450,129</u>	<u>100.7</u>	<u>411,889</u>	<u>98.5</u>	<u>385,637</u>	<u>100.8</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,408)</u>	<u>(0.7)</u>	<u>6,397</u>	<u>1.5</u>	<u>(3,317)</u>	<u>(0.8)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	2,439	0.6	5,533	1.4
Other sources - capital lease	97	-	-	-	-	-
Operating transfers out	(677)	(0.2)	(172)	-	(167)	-
Total Other Financing Sources (Uses)	<u>(580)</u>	<u>(0.2)</u>	<u>2,267</u>	<u>0.6</u>	<u>5,366</u>	<u>1.4</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(3,988)</u>	<u>(0.9)</u>	<u>8,664</u>	<u>2.1</u>	<u>2,049</u>	<u>0.6</u>
<b>FUND BALANCE - BEGINNING</b>	<u>59,609</u>		<u>50,945</u>		<u>48,896</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 55,621</u>		<u>\$ 59,609</u>		<u>\$ 50,945</u>	

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**CAFETERIA ACCOUNT SELECTED FINANCIAL INFORMATION  
THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2014-2015		2013-2014		2012-2013	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal programs	\$ 13,395	72.0	\$ 12,328	73.1	\$ 11,461	71.8
State meal program	969	5.2	861	5.1	867	5.4
Food sales and other local	4,242	22.8	3,675	21.8	3,639	22.8
Total Revenues	18,606	100.0	16,864	100.0	15,967	100.0
<b>EXPENDITURES</b>						
Salaries and employee benefits	8,673	46.6	7,710	45.7	7,685	48.1
Food, supplies, and services	8,579	46.1	8,377	49.7	8,518	53.3
Other	1,020	5.5	1,153	6.8	503	3.2
Capital outlay	50	0.3	-	-	29	0.2
Total Expenditures	18,322	98.5	17,240	102.2	16,735	104.8
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	284	1.5	(376)	(2.2)	(768)	(4.8)
<b>FUND BALANCE - BEGINNING</b>	1,079		1,455		2,223	
<b>FUND BALANCE - ENDING</b>	\$ 1,363		\$ 1,079		\$ 1,455	

\* \* \* \* \*  
**TYPE 'A' LUNCH/BREAKFAST PARTICIPATION**

	2014-2015		2013-2014		2012-2013	
	Meals Served	Percent	Meals Served	Percent	Meals Served	Percent
	<b>TYPE 'A' LUNCHES</b>					
Paid	1,113,752	26.1	1,083,298	26.8	1,083,126	27.2
Reduced price	648,041	15.2	628,674	15.5	627,041	15.8
Free	2,504,401	58.7	2,331,657	57.7	2,268,350	57.0
Total Lunches	4,266,194	100.0	4,043,629	100.0	3,978,517	100.0
<b>BASIC BREAKFAST</b>						
Paid	2,619	27.8	2,600	27.8	2,509	30.5
Reduced price	1,793	19.0	1,547	16.5	1,155	14.0
Free	5,009	53.2	5,212	55.7	4,571	55.5
Total Basic Breakfast	9,421	100.0	9,359	100.0	8,235	100.0
<b>ESPECIALLY NEEDY BREAKFAST</b>						
Paid	110,963	10.0	112,371	10.0	133,401	11.3
Reduced price	177,405	16.0	193,394	17.3	202,997	17.2
Free	821,030	74.0	816,168	72.7	846,454	71.5
Total Especially Needy Breakfast	1,109,398	100.0	1,121,933	100.0	1,182,852	100.0

See accompanying note to supplementary information.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying 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 United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2015. These unspent balances are reported as legally restricted ending balances within the General Fund. Additionally, the District received Qualified School Construction Bonds - Interest Subsidy which are not required to be reported on the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances and From Business-Type Activities:		\$ 35,458,295
Qualified School Construction Bonds - Interest Subsidy	NA	(762,791)
Medi-Cal Billing Option	93.778	(131,620)
Total Schedule of Expenditures of Federal Awards		<u>\$ 34,563,884</u>

#### Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

#### 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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

### **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 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.

### **Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

### **General Fund Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years.

### **Cafeteria Account Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria account for the past three years.

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***INDEPENDENT AUDITOR'S REPORTS***

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**INDEPENDENT AUDITOR'S 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***

Governing Board  
Corona-Norco Unified School District  
Norco, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Corona-Norco Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Corona-Norco Unified School District's basic financial statements, and have issued our report thereon dated December 2, 2015.

**Emphasis of Matter - Change in Accounting Principles**

As discussed in Note 1 and Note 18 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Corona-Norco Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corona-Norco Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Corona-Norco 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 Corona-Norco Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Corona-Norco Unified School District in a separate letter dated December 2, 2015.

**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.

VAJZNEK, TIZAS, Day + Co. CP

Rancho Cucamonga, California  
December 2, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Corona-Norco Unified School District  
Norco, California

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

We have audited Corona-Norco Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Corona-Norco Unified School District's major Federal programs for the year ended June 30, 2015. Corona-Norco Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Corona-Norco 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Corona-Norco 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 Corona-Norco Unified School District's compliance.

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

In our opinion, Corona-Norco 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, 2015.

## Report on Internal Control Over Compliance

Management of Corona-Norco 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 Corona-Norco 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 OMB Circular A-133, 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 Corona-Norco Unified School 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

VADZNEK, TRINIS Day + QUP

Rancho Cucamonga, California  
December 2, 2015



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Corona-Norco Unified School District  
Norco, California

### Report on State Compliance

We have audited Corona-Norco Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2014-2015 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 Corona-Norco Unified School District's State government programs as noted below for the year ended June 30, 2015.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance of each of the Corona-Norco Unified School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Corona-Norco 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 opinions. Our audit does not provide a legal determination of Corona-Norco Unified School District's compliance with those requirements.

### *Basis for Qualified Opinion on the After School Education and Safety Program*

As described in the accompanying schedule of findings and questioned costs, Corona-Norco Unified School District did not comply with requirements regarding the After School Education and Safety Program as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Compliance with such requirements is necessary, in our opinion, for Corona-Norco Unified School District to comply with the requirements applicable to that program.

***Qualified Opinion on After School Education and Safety Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Corona-Norco Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

***Unmodified Opinion on Each of the Other Programs***

In our opinion, Corona-Norco Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	No, see below
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes

	<u>Procedures Performed</u>
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	

We did not perform testing for Independent Study because it did not meet the materiality threshold.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Regional Occupational Centers or Program; therefore, we did not perform procedures related to the Regional Occupational Centers or Program Maintenance of Effort.

The District received funds for the California Clean Energy Jobs Act. However, the District did not incur any expenditures; therefore, we did not perform procedures related to the California Clean Energy Jobs Act.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

VADYNEK, IRINA. Day + CouP

Rancho Cucamonga, California  
December 2, 2015

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, and <u>84.173A</u>	<u>Special Education (IDEA) Cluster</u>
<u>93.778</u>	<u>Medi-Cal Billing Option</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,036,917</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	

<u>Name of State Program</u>
<u>After School Education and Safety Program</u>

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
40000	State Compliance

**2015-001      40000**

### **Criteria or Specific Requirements**

According to *Education Code* Section 8483(a)(1), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy.

### **Condition**

There appears to be instances in which student departure times were not recorded on attendance sign out forms. The District's policy states that student sign outs require a signature and a departure time. However, during the review of sign out sheets for Garretson Elementary, Home Garden Elementary, and Jefferson Elementary, it was noted there were six instances in which the student's departure time was not documented. Without sign out times, the school site cannot determine a student's minimum weekly participation in after school programs.

### **Questioned Costs**

There were no questioned costs associated with the condition identified above.

### **Context**

The condition identified was determined through review of attendance records from three of the eleven sites that operate an after school program. Attendance forms were reviewed for each child's sign out time in order to determine daily participation. The auditor selected three schools for the first semi-annual reporting period dated July to December 2014. The auditor reviewed attendance sheets for the month of December 2014 and noted exceptions in which Garretson Elementary and Jefferson Elementary did not have the appropriate written documentation to verify students were present for the whole program day. Sign out sheets did not indicate the student's departure time.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

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### **Effect**

As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 8483(a)(1). There appears to be insufficient documentation to support whether or not students participated in the full day of the program. In addition, the attendance forms are not consistently being signed off by parents or other responsible parties in accordance to the District's after school program policy.

### **Cause**

It appears that the condition materialized as a result of clerical errors in conjunction with the inadequate review process related to the recording of attendance information on the program's sign in/out sheets.

### **Recommendation**

The District should consider revisiting its implemented procedure over attendance/participation report for this program. Additional training and reinforcement of the District's early release policy over this program should be provided to all personnel involved with recording attendance/participation for the program. Furthermore, the District should adopt a more stringent review process to ensure clerical errors are identified.

### **Corrective Action Plan**

To ensure 100 percent compliance in our Expanded Learning/Summer Grant Program with *Education Code* Section 8483(a)(1), the following steps were taken:

A discussion was conducted at Expanded Learning (ExL) meeting where all school sites were represented by program coordinators/leads and principals. Ideas of how to best monitor and ensure there are no future errors were shared by the team members. The following actions were taken:

- Clerks trained by site coordinator on process when releasing students early.
- Location of sign out is with designated clerk or coordinator in order to monitor and confirm appropriate completion PRIOR to student release. Students are not called to office or released until double check of sign out is conducted and confirmed the Early Release form completely and accurately filled out.
- Meetings between administration, office staff, and ExL coordinators were held immediately upon learning of finding and corrective action being required.
- Conducted ExL meetings with parents, and special emphasis was placed on training parents on appropriate manner to complete Early Release forms when they pick up their child/ren early from the program. This is followed up with individual meetings with families at pick-up.
- A written friendly reminder is sent to school site's administrators/ExL coordinator/lead.

## **CORONA-NORCO UNIFIED SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015**

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In addition to the proactive steps taken above, in order to monitor the effectiveness of the process and for accountability purposes, the following steps have been implemented:

- Spot check of Early Release forms are conducted by:
  - Principal and/or AP at site (random days)
  - ExL coordinator/lead at sites spot checks Early Release forms daily/weekly
  - Director of program during site visits
  - TSA supporting ExL and Summer Grant Program during site visits
- Copies of ExL Early Release forms are requested by Director, sites submit, forms are analyzed for accurate completion on a regular basis.
- Coordinators and ExL support staff review documents at the end of each day to ensure all students were signed out correctly.
- Coordinators review Early Release forms before they are archived at the end of each month.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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There were no audit findings reported in the prior year's schedule of financial statement findings.



Governing Board  
Corona-Norco Unified School District  
Norco, California

In planning and performing our audit of the financial statements of Corona-Norco Unified School District (the District) for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 2, 2015, on the government-wide financial statements of the District.

***ASSOCIATED STUDENT BODY***

*Roosevelt High School*

Observation

Based on our review of disbursement procedures, it was noted that two of twenty-nine disbursements tested were not pre-approved within student council minutes prior to the transaction taking place.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by the student council. This would allow the reviewing student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Observation

Based on our review of procedures over student store inventory, it was noted that the student body was unable to provide documentation that a physical count has taken place. The auditor verified that perpetual inventory is being maintained within Tracks System.

Recommendation

The site should perform a physical count over inventory at least once a year and compare totals to the book balance. In addition, a reconciliation between the two amounts is needed in order to document any differences with a reasonable explanation.

Observation

Based on our review of procedures over fundraisers, it was noted that the student body did not follow FCMAT guidelines regarding donations to a nonprofit organization. It was identified that the student body failed to set up a trust account within ASB specifically for the fundraiser.

Recommendation

Chapter 14 – Allowable and Questionable Expenses of the Fiscal Crisis and Management Assistance Team manual, sub title donations, states that the student body should, "open a trust account within the ASB specifically for these donations (with board approval), then write a check to the organization and close the account when the fund-raiser is over."

*Norco Intermediate School*

*Cash Receipts*

Observation

During testing of cash receipts, the auditor noted that of seven deposits tested, four were not deposited in a timely manner. Late deposit times ranged from 11 to 25 days.

Recommendation

All cash should be deposited within a week of its initial receipt date. This ensures that cash is not held on site for an extended period of time and provides less exposure to theft or loss of funds.

*Cash Disbursements*

Observation

During testing of cash disbursements, the auditor noted that of 16 disbursements tested, one did not have proper pre-approval.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

*Ramirez Intermediate School*

*Cash Receipts*

Observation

During testing of cash receipts, the auditor noted that of six deposits tested, one was not deposited in a timely manner.

Recommendation

All cash should be deposited within a week of its initial receipt date. This ensures that cash is not held on site for an extended period of time and provides less exposure to theft or loss of funds.

*Cash Disbursements*

Observation

During testing of cash disbursements, the auditor noted that of 16 disbursements tested, two did not have proper pre-approval.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

Observation

During testing of cash disbursements, the auditor noted that of 16 purchase requests tested, one did not have the required three signatures of approval.

Recommendation

All cash disbursements should have three signatures of approval in order to ensure proper spending of ASB funds. Expenditure requests without three signatures of approval should not be accepted.

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

VAORZNEK, TRINOS. JAY + COUP

Rancho Cucamonga, California  
December 2, 2015