

**CORONA-NORCO  
UNIFIED SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

---

**JUNE 30, 2016**

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2016

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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                                                                                                                 | 16 |
| 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                                | 78 |
| Schedule of Other Postemployment Benefits (OPEB) Funding Progress           | 79 |
| Schedule of the District's Proportionate Share of the Net Pension Liability | 80 |
| Schedule of District Contributions                                          | 81 |
| Note to Required Supplementary Information                                  | 82 |

### ***SUPPLEMENTARY INFORMATION***

|                                                                                        |    |
|----------------------------------------------------------------------------------------|----|
| Schedule of Expenditures of Federal Awards                                             | 84 |
| Local Education Agency Organization Structure                                          | 86 |
| Schedule of Average Daily Attendance                                                   | 87 |
| Schedule of Instructional Time                                                         | 88 |
| Reconciliation of Annual Financial and Budget Report With Audited Financial Statements | 89 |
| Schedule of Financial Trends and Analysis                                              | 90 |
| Combining Statements - Non-Major Governmental Funds                                    |    |
| Combining Balance Sheet                                                                | 91 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances            | 92 |
| General Fund Selected Financial Information                                            | 93 |
| Cafeteria Account Selected Financial Information                                       | 94 |
| Note to Supplementary Information                                                      | 95 |

### ***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> | 98  |
| Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance                                                                                | 100 |
| Report on State Compliance                                                                                                                                                                          | 102 |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2016

---

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

|                                              |     |
|----------------------------------------------|-----|
| Summary of Auditor's Results                 | 106 |
| Financial Statement Findings                 | 107 |
| Federal Awards Findings and Questioned Costs | 108 |
| State Awards Findings and Questioned Costs   | 109 |
| Summary Schedule of Prior Audit Findings     | 111 |
| Management Letter                            | 113 |

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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, 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, 2016, 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 *2015-2016 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, each major fund, and the aggregate remaining fund information of the Corona-Norco Unified School District, as of June 30, 2016, 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 18 to the financial statements, in 2016, the District has elected to classify the Cafeteria Fund as a governmental fund in the current year as prescribed by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Our opinion is not modified with respect to the matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedule on page 78, schedule of other postemployment benefits funding progress on page 79, schedule of the District's proportionate share of the net pension liability on page 80, and the schedule of District contributions on page 81, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 Schedule of Expenditures of Federal Awards and 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 15, 2016, 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.

VAULNER, TRIN E. RAY + CO. LLP

Rancho Cucamonga, California  
December 15, 2016



This section of Corona-Norco Unified School District's (the District) 2015-2016 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016, with comparative information for the year ending 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 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 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, 2016

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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 deferred outflows of resources, and liabilities and deferred inflows of resources 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 deferred outflows of resources, and liabilities and deferred inflows of resources, 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.

### 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, 2016

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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*. 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, 2016

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### FINANCIAL HIGHLIGHTS

#### THE DISTRICT AS A WHOLE

##### Net Position

The District's net position was \$198,779,271 for the fiscal year ended June 30, 2016. Of this amount, \$(349,189,517) was unrestricted (deficit). 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 |                       |
|---------------------------------------|-------------------------|-----------------------|
|                                       | 2016                    | 2015<br>as restated   |
| <b>Assets</b>                         |                         |                       |
| Current and other assets              | \$ 342,172,909          | \$ 244,608,472        |
| Capital assets                        | 854,311,991             | 885,032,939           |
| <b>Total Assets</b>                   | <u>1,196,484,900</u>    | <u>1,129,641,411</u>  |
| <b>Deferred Outflows of Resources</b> | <u>111,710,540</u>      | <u>28,836,060</u>     |
| <b>Liabilities</b>                    |                         |                       |
| Current liabilities                   | 30,215,033              | 30,998,621            |
| Long-term obligations                 | 561,184,881             | 466,056,477           |
| Aggregate pension liability           | 434,884,767             | 345,545,788           |
| <b>Total Liabilities</b>              | <u>1,026,284,681</u>    | <u>842,600,886</u>    |
| <b>Deferred Inflows of Resources</b>  | <u>83,131,488</u>       | <u>90,012,070</u>     |
| <b>Net Position</b>                   |                         |                       |
| Net investment in capital assets      | 482,543,787             | 507,460,749           |
| Restricted                            | 65,425,001              | 56,080,190            |
| Unrestricted (deficit)                | (349,189,517)           | (337,676,424)         |
| <b>Total Net Position</b>             | <u>\$ 198,779,271</u>   | <u>\$ 225,864,515</u> |

The \$(349,189,517) 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, 2016

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### 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 |                        |
|--------------------------------------|-------------------------|------------------------|
|                                      | 2016                    | 2015                   |
| <b>Revenues</b>                      |                         |                        |
| Program revenues:                    |                         |                        |
| Charges for services                 | \$ 5,406,102            | \$ 6,455,300           |
| Operating grants and contributions   | 103,867,140             | 91,214,125             |
| Capital grants and contributions     | -                       | 24,615                 |
| General revenues:                    |                         |                        |
| Federal and State aid not restricted | 344,685,989             | 288,118,559            |
| Property taxes                       | 134,522,316             | 111,130,907            |
| Other general revenues               | 46,675,234              | 21,941,286             |
| <b>Total Revenues</b>                | <b>635,156,781</b>      | <b>518,884,792</b>     |
| <b>Expenses</b>                      |                         |                        |
| Instruction-related                  | 467,959,218             | 377,866,221            |
| Pupil services                       | 68,137,626              | 57,912,782             |
| Administration                       | 21,957,686              | 19,467,008             |
| Plant services                       | 59,251,931              | 45,730,607             |
| All other activities                 | 44,935,564              | 29,227,071             |
| <b>Total Expenses</b>                | <b>662,242,025</b>      | <b>530,203,689</b>     |
| <b>Change in Net Position</b>        | <b>\$ (27,085,244)</b>  | <b>\$ (11,318,897)</b> |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$662,242,025. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$134,522,316 because the cost was paid by other governments and organizations who subsidized certain programs with charges for services, grants, and contributions \$(109,273,242). We paid for the remaining "public benefit" portion of our governmental activities with \$391,361,223 in Federal and State unrestricted funds and with other revenues, like interest and general entitlements.

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, food services, other pupil services, administration, plant services, and all other activities. 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  |                       |
|--------------------------------|------------------------|-----------------------|-----------------------|-----------------------|
|                                | 2016                   | 2015                  | 2016                  | 2015                  |
| Instruction                    | \$ 403,970,641         | \$ 324,824,243        | \$ 347,997,374        | \$ 273,928,743        |
| Instruction-related activities | 63,988,577             | 53,041,978            | 54,109,772            | 44,652,865            |
| Home-to-school transportation  | 13,221,489             | 11,465,840            | 12,855,626            | 11,125,741            |
| Food services                  | 19,336,571             | 18,335,241            | 1,649,381             | (268,390)             |
| Other pupil services           | 35,579,566             | 28,111,701            | 26,388,275            | 20,441,994            |
| Administration                 | 21,957,686             | 19,467,008            | 19,983,995            | 17,437,741            |
| Plant services                 | 59,251,931             | 45,730,607            | 53,225,193            | 45,620,467            |
| All other activities           | 44,935,564             | 29,227,071            | 36,759,167            | 19,570,488            |
| <b>Total</b>                   | <b>\$ 662,242,025</b>  | <b>\$ 530,203,689</b> | <b>\$ 552,968,783</b> | <b>\$ 432,509,649</b> |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### THE DISTRICT'S FUNDS

As the District completed this year, governmental funds reported a combined fund balance of \$224,610,647, which is an increase of \$113,043,312 from last year (Table 4).

**Table 4**

|                                                     | Fund Balance                |                       |                       |                       |
|-----------------------------------------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
|                                                     | July 1, 2015<br>as Restated | Revenues              | Expenditures          | June 30, 2016         |
| General Fund                                        | \$ 55,620,694               | \$ 537,199,180        | \$ 511,522,700        | \$ 81,297,174         |
| Building Fund                                       | -                           | 100,433,005           | 22,072,214            | 78,360,791            |
| Bond Interest and<br>Redemption Fund                | 19,882,731                  | 93,818,947            | 79,682,207            | 34,019,471            |
| Adult Education Fund                                | 568,364                     | 3,331,993             | 1,585,241             | 2,315,116             |
| Child Development Fund                              | -                           | 580,915               | 580,915               | -                     |
| Cafeteria Fund                                      | 1,362,921                   | 19,699,420            | 19,735,624            | 1,326,717             |
| Deferred Maintenance Fund                           | 2,486,175                   | 4,876                 | 1,700,176             | 790,875               |
| Capital Facilities Fund                             | 2,201,164                   | 14,813,747            | 16,994,679            | 20,232                |
| Capital Project Fund for<br>Blended Component Units | 1,019,189                   | 10,854,202            | 5,469,079             | 6,404,312             |
| Debt Service Fund for<br>Blended Component Units    | 28,426,097                  | 43,708,716            | 52,058,854            | 20,075,959            |
| <b>Total</b>                                        | <b>\$ 111,567,335</b>       | <b>\$ 824,445,001</b> | <b>\$ 711,401,689</b> | <b>\$ 224,610,647</b> |

The primary reasons for these changes are the following:

Our General Fund is our principal operating fund. The fund balance in the General Fund increased by \$25,676,480 to \$81,297,174. This is primarily due to adjustments to the Local Control Funding Formula (LCFF) model, receipt of one-time State funding, 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 completion of Reagan Elementary School, air conditioning upgrades at Roosevelt and Santiago High Schools, additional temporary classrooms at Roosevelt High School and stadium bleacher expansion at Santiago High School. Costs were also incurred for continued improvements at Corona High School and design/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 17, 2016. (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 78.)

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2016, the District had \$854,311,911 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 \$30,720,948 or 3.5 percent, from last year (Table 5).

**Table 5**

|                            | Governmental Activities |                       |
|----------------------------|-------------------------|-----------------------|
|                            | 2016                    | 2015<br>as Restated   |
| Land                       | \$ 86,028,059           | \$ 86,028,059         |
| Construction in progress   | 22,745,052              | 129,097,242           |
| Buildings and improvements | 728,721,312             | 656,550,907           |
| Furniture and equipment    | 16,817,568              | 13,356,731            |
| <b>Total</b>               | <b>\$ 854,311,991</b>   | <b>\$ 885,032,939</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, 2016

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### Long-Term Obligations

At the end of this year, the District had \$561,184,881 in long-term obligations versus \$466,056,477 last year, an increase of 20.4 percent. The increase is primarily attributed to the issuance of new general obligation bonds.

**Table 6**

|                                                            | Governmental Activities |                       |
|------------------------------------------------------------|-------------------------|-----------------------|
|                                                            | 2016                    | 2015                  |
| General obligation bonds (net of unamortized premium)      | \$ 429,636,576          | \$ 321,581,205        |
| Certificates of participation (net of unamortized premium) | 26,252,127              | 27,461,412            |
| Public Financing Authority bonds                           | 66,360,000              | 83,650,000            |
| Capital leases                                             | 207,279                 | 330,000               |
| Claims liability                                           | 15,516,000              | 15,516,000            |
| Supplemental early retirement plan (SERP)                  | 2,646,418               | 4,011,627             |
| Other postemployment benefits (OPEB)                       | 12,741,376              | 9,063,054             |
| Compensated absences                                       | 7,825,105               | 4,443,179             |
| <b>Total</b>                                               | <b>\$ 561,184,881</b>   | <b>\$ 466,056,477</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 \$429,636,576 is below this statutorily-imposed limit.

Other obligations include certificates of participation, compensated absences, and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 10 of the financial statements.

### Net Pension Liability (NPL)

At year end, the District had an outstanding pension liability of \$434,884,767 as a result of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Detailed information regarding the plans are disclosed in Note 15 of the financial statements.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016 ARE NOTED BELOW:

- The current cohort graduation rate of 92.4 percent was higher than Riverside County and the State cohort graduations rates.
- The current cohort dropout rate of 4.1 percent was lower than Riverside County and the State cohort graduation rates.
- The number of Career Technical Education Industry Sectors grew from 7 to 12 in 2015.
- Average attendance rate is 96.0 percent.
- Suspension (2.4 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.
- 50.6 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.
- 13.5 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 4,089 students to 4,114 in 2015.
- On several indices, achievement gaps have been reduced.
- CNUSD has been awarded 2 prestigious CTE grants, the Career Technical Education Incentive Grant (\$7 Million) and the California Careers Pathways Trust Grant (\$2.1 million)
- Eastvale STEM Academy has opened on the ERHS Site.
- Todd Academy has begun its expansion from a K-6 school to a K-8 school with the addition of 7<sup>th</sup> grade.
- CAASPP scores increased 7 percent in ELA and 8 percent in Math, the highest growth in the county.
- Ed Source recognized CNUSD as one of two large school districts in California for making significant progress in closing the achievement gap.

The District completed construction of the new District Parent Center, the new Reagan Elementary School, reconstruction and expansion of the Corona High gymnasium, installation of a new laboratory building for the Corona High STEM Academy, installation of air conditioning upgrades at Roosevelt and Santiago High Schools, installation of additional temporary classrooms at Roosevelt High School, installation of new synthetic turf at the Roosevelt High School stadium, expansion of the Santiago High School stadium bleachers, and installation of interim construction facilities at Adams, Garretson, Lincoln and Norco Elementary Schools in preparation for their Measure GG reconstruction projects. The District continues design planning for the new Rondo Elementary School, the expansion of the Todd Academy and the new STEM building addition at Roosevelt High School.

# **CORONA-NORCO UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016**

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

In considering the District Budget for the 2016-2017 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 0.00 percent.
- Gap funding projected at 54.84 percent.
- Unduplicated pupil count projected at 47.54 percent.
- ADA decline of 200 projected.
- Cost to service salary schedules.
- Updated salary schedules to include contractual agreements.
- Employer fixed cost increase for STRS and PERS.

### **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 Assistant Superintendent, Business Services, at Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860, or e-mail at [Alan.Giles@cnusd.k12.ca.us](mailto:Alan.Giles@cnusd.k12.ca.us).

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2016

|                                                                 | <b>Governmental<br/>Activities</b> |
|-----------------------------------------------------------------|------------------------------------|
| <b>ASSETS</b>                                                   |                                    |
| Deposits and investments                                        | \$ 250,958,851                     |
| Receivables                                                     | 21,422,953                         |
| Long-term receivables                                           | 69,465,000                         |
| Prepaid expenses                                                | 92,248                             |
| Stores inventories                                              | 233,857                            |
| Capital assets                                                  |                                    |
| Land and construction in progress                               | 108,773,111                        |
| Other capital assets                                            | 1,162,077,497                      |
| Less: Accumulated depreciation                                  | (416,538,617)                      |
| Total Capital Assets                                            | <u>854,311,991</u>                 |
| <b>Total Assets</b>                                             | <u>1,196,484,900</u>               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                                    |
| Deferred charge on refunding                                    | 4,142,866                          |
| Deferred outflows of resources related to pensions              | 107,567,674                        |
| <b>Total Deferred Outflows of Resources</b>                     | <u>111,710,540</u>                 |
| <b>LIABILITIES</b>                                              |                                    |
| Accounts payable                                                | 23,662,341                         |
| Accrued interest payable                                        | 4,357,549                          |
| Unearned revenue                                                | 2,195,143                          |
| Long-term obligations:                                          |                                    |
| Current portion of long-term obligations other than pensions    | 23,560,057                         |
| Noncurrent portion of long-term obligations other than pensions | 537,624,824                        |
| Total Long-Term Liabilities                                     | <u>561,184,881</u>                 |
| Aggregate net pension liability                                 | <u>434,884,767</u>                 |
| <b>Total Liabilities</b>                                        | <u>1,026,284,681</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                                    |
| Deferred inflows of resources related to pensions               | <u>83,131,488</u>                  |
| <b>NET POSITION</b>                                             |                                    |
| Net investment in capital assets                                | 482,543,787                        |
| Restricted for:                                                 |                                    |
| Debt service                                                    | 49,737,881                         |
| Capital projects                                                | 20,232                             |
| Educational programs                                            | 6,257,031                          |
| Other activities                                                | 9,409,857                          |
| Unrestricted                                                    | (349,189,517)                      |
| <b>Total Net Position</b>                                       | <u>\$ 198,779,271</u>              |

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, 2016

| Functions/Programs                              | Expenses              | Program Revenues                     |                                          | Net (Expenses)                             |
|-------------------------------------------------|-----------------------|--------------------------------------|------------------------------------------|--------------------------------------------|
|                                                 |                       | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions | Revenues and<br>Changes in<br>Net Position |
|                                                 |                       |                                      |                                          | Governmental<br>Activities                 |
| <b>Governmental Activities:</b>                 |                       |                                      |                                          |                                            |
| Instruction                                     | \$ 403,970,641        | \$ 124                               | \$ 55,973,143                            | \$ (347,997,374)                           |
| Instruction-related activities:                 |                       |                                      |                                          |                                            |
| Supervision of instruction                      | 19,494,940            | -                                    | 7,785,587                                | (11,709,353)                               |
| Instructional library, media,<br>and technology | 2,720,852             | -                                    | 12,886                                   | (2,707,966)                                |
| School site administration                      | 41,772,785            | -                                    | 2,080,332                                | (39,692,453)                               |
| Pupil services:                                 |                       |                                      |                                          |                                            |
| Home-to-school transportation                   | 13,221,489            | -                                    | 365,863                                  | (12,855,626)                               |
| Food services                                   | 19,336,571            | 4,427,036                            | 13,260,154                               | (1,649,381)                                |
| All other pupil services                        | 35,579,566            | -                                    | 9,191,291                                | (26,388,275)                               |
| Administration:                                 |                       |                                      |                                          |                                            |
| Data processing                                 | 5,783,252             | -                                    | 132,407                                  | (5,650,845)                                |
| All other administration                        | 16,174,434            | 216,504                              | 1,624,780                                | (14,333,150)                               |
| Plant services                                  | 59,251,931            | -                                    | 6,026,738                                | (53,225,193)                               |
| Ancillary services                              | 3,706,515             | -                                    | -                                        | (3,706,515)                                |
| Enterprise services                             | 13,237                | -                                    | -                                        | (13,237)                                   |
| Interest on long-term obligations               | 28,868,946            | -                                    | -                                        | (28,868,946)                               |
| Other outgo                                     | 12,346,866            | 762,438                              | 7,413,959                                | (4,170,469)                                |
| <b>Total Governmental Activities</b>            | <b>\$ 662,242,025</b> | <b>\$ 5,406,102</b>                  | <b>\$ 103,867,140</b>                    | <b>(552,968,783)</b>                       |
| General revenues and subventions:               |                       |                                      |                                          |                                            |
|                                                 |                       |                                      |                                          | 104,174,049                                |
|                                                 |                       |                                      |                                          | 26,842,665                                 |
|                                                 |                       |                                      |                                          | 3,505,602                                  |
|                                                 |                       |                                      |                                          | 344,685,989                                |
|                                                 |                       |                                      |                                          | 2,415,244                                  |
|                                                 |                       |                                      |                                          | 44,259,990                                 |
|                                                 |                       |                                      | <b>Subtotal, General Revenues</b>        | <b>525,883,539</b>                         |
|                                                 |                       |                                      | <b>Change in Net Position</b>            | <b>(27,085,244)</b>                        |
|                                                 |                       |                                      | Net Position - Beginning, as Restated    | 225,864,515                                |
|                                                 |                       |                                      | Net Position - Ending                    | <b>\$ 198,779,271</b>                      |

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

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

**JUNE 30, 2016**

|                                                | <b>General<br/>Fund</b> | <b>Building<br/>Fund</b> | <b>Bond Interest<br/>and Redemption<br/>Fund</b> |
|------------------------------------------------|-------------------------|--------------------------|--------------------------------------------------|
| <b>ASSETS</b>                                  |                         |                          |                                                  |
| Deposits and investments                       | \$ 81,252,931           | \$ 82,124,862            | \$ 34,019,471                                    |
| Receivables                                    | 18,928,453              | 135,440                  | -                                                |
| Due from other funds                           | 1,007,446               | -                        | -                                                |
| Prepaid expenditures                           | 92,248                  | -                        | -                                                |
| Stores inventories                             | 96,646                  | -                        | -                                                |
| <b>Total Assets</b>                            | <b>\$ 101,377,724</b>   | <b>\$ 82,260,302</b>     | <b>\$ 34,019,471</b>                             |
| <b>LIABILITIES AND FUND BALANCES</b>           |                         |                          |                                                  |
| <b>Liabilities:</b>                            |                         |                          |                                                  |
| Accounts payable                               | \$ 17,885,407           | \$ 3,899,511             | \$ -                                             |
| Due to other funds                             | -                       | -                        | -                                                |
| Unearned revenue                               | 2,195,143               | -                        | -                                                |
| <b>Total Liabilities</b>                       | <b>20,080,550</b>       | <b>3,899,511</b>         | <b>-</b>                                         |
| <b>Fund Balances:</b>                          |                         |                          |                                                  |
| Nonspendable                                   | 393,894                 | -                        | -                                                |
| Restricted                                     | 6,257,031               | 78,360,791               | 34,019,471                                       |
| Committed                                      | -                       | -                        | -                                                |
| Assigned                                       | 62,023,726              | -                        | -                                                |
| Unassigned                                     | 12,622,523              | -                        | -                                                |
| <b>Total Fund Balances</b>                     | <b>81,297,174</b>       | <b>78,360,791</b>        | <b>34,019,471</b>                                |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 101,377,724</b>   | <b>\$ 82,260,302</b>     | <b>\$ 34,019,471</b>                             |

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

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| <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------------|-----------------------------------------|
| \$ 31,471,963                               | \$ 228,869,227                          |
| 2,207,116                                   | 21,271,009                              |
| -                                           | 1,007,446                               |
| -                                           | 92,248                                  |
| 137,211                                     | 233,857                                 |
| <u>\$ 33,816,290</u>                        | <u>\$ 251,473,787</u>                   |

|                  |                   |
|------------------|-------------------|
| \$ 1,875,633     | \$ 23,660,551     |
| 1,007,446        | 1,007,446         |
| -                | 2,195,143         |
| <u>2,883,079</u> | <u>26,863,140</u> |

|                   |                    |
|-------------------|--------------------|
| 148,731           | 542,625            |
| 29,186,582        | 147,823,875        |
| 1,597,898         | 1,597,898          |
| -                 | 62,023,726         |
| -                 | 12,622,523         |
| <u>30,933,211</u> | <u>224,610,647</u> |

|                      |                       |
|----------------------|-----------------------|
| <u>\$ 33,816,290</u> | <u>\$ 251,473,787</u> |
|----------------------|-----------------------|

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2016

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|                                                                                                                                                                                                                                                                                                                                                                                                             |                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <b>Total Fund Balance - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                              | <b>\$ 224,610,647</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:                                                                                                                                                                                                                                                                                                                                                                              | \$ 1,270,850,608      |
| Accumulated depreciation is:                                                                                                                                                                                                                                                                                                                                                                                | <u>(416,538,617)</u>  |
| Net Capital Assets                                                                                                                                                                                                                                                                                                                                                                                          | 854,311,991           |
| 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 collections totaling \$15,470,000 were received, leaving a balance of \$69,465,000.                                                                                                                                                                                                                                                                                                            | 69,465,000            |
| 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, 2016. |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                             | 4,142,866             |
| Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.                                                                                                                                                                                                                                                    |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                             | 36,819,869            |
| 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.                                                                                                                                                                  |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                             | (4,357,549)           |
| 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.                                                                                                                                                |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                             | 6,723,778             |
| 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.                                                                                                                                                                                             |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                             | (31,943,582)          |
| The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.                                                                                                                  |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                             | (1,788,426)           |
| The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.                                                                                                                                                                             |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                             | (4,557,443)           |

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, 2016**

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|                                                                                                                                                                                                                                                                                                |                                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits. | \$ 25,905,768                       |
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.                                                                                                                                                                           | (434,884,767)                       |
| 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                                                                                                                                                                                                                                                                       | \$ (342,566,827)                    |
| Certificates of participation                                                                                                                                                                                                                                                                  | (25,595,000)                        |
| Corona-Norco Unified School District Public Financing Authority bonds                                                                                                                                                                                                                          | (66,360,000)                        |
| Unamortized premium                                                                                                                                                                                                                                                                            | (25,947,067)                        |
| Capital lease                                                                                                                                                                                                                                                                                  | (207,279)                           |
| Supplemental early retirement plan (SERP)                                                                                                                                                                                                                                                      | (2,646,418)                         |
| Other postemployment benefits (OPEB)                                                                                                                                                                                                                                                           | (12,741,376)                        |
| Compensated absences (vacation)                                                                                                                                                                                                                                                                | (7,825,105)                         |
| In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is:                                                                                                                                                                        | (61,779,809)                        |
| Total Long-Term Obligations                                                                                                                                                                                                                                                                    | <u>(545,668,881)</u>                |
| <b>Total Net Position - Governmental Activities</b>                                                                                                                                                                                                                                            | <b><u><u>\$ 198,779,271</u></u></b> |

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, 2016

|                                                                    | General<br>Fund      | Building<br>Fund     | Bond Interest<br>and Redemption<br>Fund |
|--------------------------------------------------------------------|----------------------|----------------------|-----------------------------------------|
| <b>REVENUES</b>                                                    |                      |                      |                                         |
| Local Control Funding Formula                                      | \$ 412,322,540       | \$ -                 | \$ -                                    |
| Federal sources                                                    | 22,546,093           | -                    | 764,436                                 |
| Other State sources                                                | 99,311,217           | -                    | 215,239                                 |
| Other local sources                                                | 2,819,330            | 438,005              | 26,710,123                              |
| <b>Total Revenues</b>                                              | <b>536,999,180</b>   | <b>438,005</b>       | <b>27,689,798</b>                       |
| <b>EXPENDITURES</b>                                                |                      |                      |                                         |
| Current                                                            |                      |                      |                                         |
| Instruction                                                        | 333,723,584          | -                    | -                                       |
| Instruction-related activities:                                    |                      |                      |                                         |
| Supervision of instruction                                         | 17,407,423           | -                    | -                                       |
| Instructional library, media, and technology                       | 2,578,102            | -                    | -                                       |
| School site administration                                         | 38,425,613           | -                    | -                                       |
| Pupil services:                                                    |                      |                      |                                         |
| Home-to-school transportation                                      | 11,974,216           | -                    | -                                       |
| Food services                                                      | 14,993               | -                    | -                                       |
| All other pupil services                                           | 33,638,463           | -                    | -                                       |
| Administration:                                                    |                      |                      |                                         |
| Data processing                                                    | 5,400,553            | -                    | -                                       |
| All other administration                                           | 13,738,945           | -                    | -                                       |
| Plant services                                                     | 49,610,430           | -                    | -                                       |
| Facility acquisition and construction                              | 212,026              | 18,603,989           | -                                       |
| Ancillary services                                                 | 3,542,873            | -                    | -                                       |
| Other outgo                                                        | 589,082              | 2,675,046            | 354,623                                 |
| Debt service                                                       |                      |                      |                                         |
| Principal                                                          | 152,262              | -                    | 11,535,000                              |
| Interest and other                                                 | 9,141                | -                    | 10,739,831                              |
| <b>Total Expenditures</b>                                          | <b>511,017,706</b>   | <b>21,279,035</b>    | <b>22,629,454</b>                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b>           | <b>25,981,474</b>    | <b>(20,841,030)</b>  | <b>5,060,344</b>                        |
| <b>Other Financing Sources (Uses)</b>                              |                      |                      |                                         |
| Transfers in                                                       | 200,000              | -                    | -                                       |
| Other sources - proceeds from issuance of general obligation bonds | -                    | 99,995,000           | 51,675,000                              |
| Other sources - premium on issuance of general obligation bonds    | -                    | -                    | 14,454,149                              |
| Other sources - capital lease                                      | -                    | -                    | -                                       |
| Transfers out                                                      | (504,994)            | (793,179)            | -                                       |
| Other uses - payment to refunded bonds escrow agent                | -                    | -                    | (57,052,753)                            |
| <b>Net Financing Sources (Uses)</b>                                | <b>(304,994)</b>     | <b>99,201,821</b>    | <b>9,076,396</b>                        |
| <b>NET CHANGE IN FUND BALANCES</b>                                 | <b>25,676,480</b>    | <b>78,360,791</b>    | <b>14,136,740</b>                       |
| <b>Fund Balances - Beginning</b>                                   | <b>55,620,694</b>    | <b>-</b>             | <b>19,882,731</b>                       |
| <b>Prior Period Adjustment</b>                                     | <b>-</b>             | <b>-</b>             | <b>-</b>                                |
| <b>Fund Balances - Ending</b>                                      | <b>\$ 81,297,174</b> | <b>\$ 78,360,791</b> | <b>\$ 34,019,471</b>                    |

| <b>Non-Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------------|-----------------------------------------|
| \$ -                                        | \$ 412,322,540                          |
| 14,936,698                                  | 38,247,227                              |
| 3,433,483                                   | 102,959,939                             |
| 52,247,952                                  | 82,215,410                              |
| <u>70,618,133</u>                           | <u>635,745,116</u>                      |
| 1,665,569                                   | 335,389,153                             |
| -                                           | 17,407,423                              |
| -                                           | 2,578,102                               |
| 432,136                                     | 38,857,749                              |
| -                                           | 11,974,216                              |
| 18,961,628                                  | 18,976,621                              |
| -                                           | 33,638,463                              |
| -                                           | 5,400,553                               |
| 2,148,170                                   | 15,887,115                              |
| 1,741,851                                   | 51,352,281                              |
| 13,248,043                                  | 32,064,058                              |
| -                                           | 3,542,873                               |
| 9,601,797                                   | 13,220,548                              |
| 4,469,841                                   | 16,157,103                              |
| 10,080,549                                  | 20,829,521                              |
| <u>62,349,584</u>                           | <u>617,275,779</u>                      |
| <u>8,268,549</u>                            | <u>18,469,337</u>                       |
| 3,711,054                                   | 3,911,054                               |
| 18,605,000                                  | 170,275,000                             |
| -                                           | 14,454,149                              |
| 59,682                                      | 59,682                                  |
| (2,612,881)                                 | (3,911,054)                             |
| <u>(33,162,103)</u>                         | <u>(90,214,856)</u>                     |
| <u>(13,399,248)</u>                         | <u>94,573,975</u>                       |
| (5,130,699)                                 | 113,043,312                             |
| 34,700,989                                  | 110,204,414                             |
| 1,362,921                                   | 1,362,921                               |
| <u>\$ 30,933,211</u>                        | <u>\$ 224,610,647</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, 2016**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>\$ 113,043,312</b> |
| <b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>                                                                                                                                                                                                                                                                                                                                                                                                                             |                       |
| 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 expense exceeds capital outlay in the period.                                                                                                                           |                       |
| Depreciation expense                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | \$ (58,531,108)       |
| Capital outlays                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <u>27,810,160</u>     |
| Net Expense Adjustment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (30,720,948)          |
| 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.                                                                                                                                                                               |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (59,382)              |
| 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 \$1,365,209. Vacation earned was more than the amounts used by \$3,381,926. |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (2,016,717)           |
| 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.                                                                                                                                                                                                                                   |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (3,598,978)           |
| 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.                                                                                                                                                                                                                                                                                                                                       |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (15,470,000)          |
| 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 than the annual required contribution.                                                                                                                                                              |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (3,678,322)           |
| 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 \$18,605,000 in refunding special tax bonds.                                                                                |                       |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (18,605,000)          |

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, 2016

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the statement of net position and does not affect the statement of activities. This adjustment combines the net changes of the following balances:

|                                                               |                 |                  |
|---------------------------------------------------------------|-----------------|------------------|
| Proceeds from sale of 2014 General Obligation Bonds, Series A | \$ (99,995,000) |                  |
| Proceeds from sale of 2015 General Obligation Refunding Bonds | (51,675,000)    | \$ (151,670,000) |

Governmental funds report the effects of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items:

|                            |              |              |
|----------------------------|--------------|--------------|
| Premium on issuance        | (14,454,149) |              |
| Deferred cost on refunding | 4,292,243    |              |
| Combined adjustment        |              | (10,161,906) |

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                                              | 63,370,000 |             |
| Certificates of participation                                         | 1,160,000  |             |
| Corona-Norco Unified School District Public Financing Authority bonds | 35,895,000 |             |
| Capital lease                                                         | 182,103    |             |
| Combined adjustment                                                   |            | 100,607,103 |

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                  | 4,296,683 |           |
| Amortization of deferred charges on refunding | (277,182) |           |
| Combined adjustment                           |           | 4,019,501 |

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 \$164,011, and second, \$9,548,620 of additional interest was accreted on the District's "capital appreciation" general obligation bonds.

(9,712,631)

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.

938,724

**Change in Net Position of Governmental Activities**

**\$ (27,085,244)**

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

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

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|                                             | <u>Governmental<br/>Activities</u><br><u>Internal<br/>Service Fund</u> |
|---------------------------------------------|------------------------------------------------------------------------|
| <b>ASSETS</b>                               |                                                                        |
| <b>Current Assets</b>                       |                                                                        |
| Deposits and investments                    | \$ 22,089,624                                                          |
| Receivables                                 | 151,944                                                                |
| <b>Total Assets</b>                         | <u>22,241,568</u>                                                      |
| <b>LIABILITIES</b>                          |                                                                        |
| <b>Current Liabilities</b>                  |                                                                        |
| Accounts payable                            | 1,790                                                                  |
| Claim liabilities                           | 1,882,832                                                              |
| <b>Total Current Liabilities</b>            | <u>1,884,622</u>                                                       |
| <b>Noncurrent Liabilities</b>               |                                                                        |
| Noncurrent portion of long-term obligations | <u>13,633,168</u>                                                      |
| <b>NET POSITION</b>                         |                                                                        |
| Restricted                                  | <u>\$ 6,723,778</u>                                                    |

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, 2016**

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|                                       | <b>Governmental<br/>Activities<br/>Internal<br/>Service Fund</b> |
|---------------------------------------|------------------------------------------------------------------|
| <b>OPERATING REVENUES</b>             |                                                                  |
| Charges to other funds                | \$ 3,465,417                                                     |
| <b>OPERATING EXPENSES</b>             |                                                                  |
| Payroll costs                         | 287,128                                                          |
| Supplies and materials                | 2,258                                                            |
| Other operating cost                  | 2,340,901                                                        |
| <b>Total Operating Expenses</b>       | <b>2,630,287</b>                                                 |
| <b>Operating Income</b>               | <b>835,130</b>                                                   |
| <b>NONOPERATING REVENUES</b>          |                                                                  |
| Interest income                       | 103,594                                                          |
| <b>Change in Net Position</b>         | <b>938,724</b>                                                   |
| <b>Total Net Position - Beginning</b> | <b>5,785,054</b>                                                 |
| <b>Total Net Position - Ending</b>    | <b>\$ 6,723,778</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, 2016**

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|                                                                                             | <b>Governmental<br/>Activities</b> |
|---------------------------------------------------------------------------------------------|------------------------------------|
|                                                                                             | <b>Internal<br/>Service Fund</b>   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                 |                                    |
| Cash received from assessment made to other funds                                           | \$ 3,330,052                       |
| Cash payments to employees for services                                                     | (287,128)                          |
| Cash payments for goods and services                                                        | (468)                              |
| Cash payments for insurance premiums                                                        | (2,340,901)                        |
| Net Cash Provided for Operating Activities                                                  | <u>701,555</u>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                 |                                    |
| Interest on investments                                                                     | <u>103,594</u>                     |
| Net Increase in Cash and Cash Equivalents                                                   | 805,149                            |
| Cash and Cash Equivalents - Beginning                                                       | <u>21,284,475</u>                  |
| Cash and Cash Equivalents - Ending                                                          | <u>\$ 22,089,624</u>               |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>PROVIDED FOR OPERATING ACTIVITIES</b> |                                    |
| Operating income                                                                            | \$ 835,130                         |
| Adjustments to reconcile operating income to net cash provided for<br>operating activities: |                                    |
| Changes in assets and liabilities:                                                          |                                    |
| Receivables                                                                                 | (135,365)                          |
| Accrued liabilities                                                                         | <u>1,790</u>                       |
| <b>NET CASH PROVIDED FOR OPERATING ACTIVITIES</b>                                           | <u>\$ 701,555</u>                  |

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

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

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|                          | <b>Agency<br/>Funds</b>     |
|--------------------------|-----------------------------|
|                          | <u>                    </u> |
| <b>ASSETS</b>            |                             |
| Deposits and investments | \$ 32,184,481               |
| Receivables              | 3,032,509                   |
| Stores inventories       | <u>64,666</u>               |
| <b>Total Assets</b>      | <u><u>\$ 35,281,656</u></u> |
| <br>                     |                             |
| <b>LIABILITIES</b>       |                             |
| Accounts payable         | \$ 3,063,749                |
| Due to student groups    | 2,554,632                   |
| Due to other bondholders | <u>29,663,275</u>           |
| <b>Total Liabilities</b> | <u><u>\$ 35,281,656</u></u> |

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

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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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, 2016

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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.

**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.

**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).

### **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.

**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.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

---

**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).

**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).

**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).

**Debt Service Funds** The Debt Service Funds are used to account for the accumulation of restricted, committed, or assigned resources for the payment of principal and interest on general long-term obligations.

**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).

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

**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.

**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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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 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.

**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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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**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.

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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### **Investments**

Investments held at June 30, 2016, 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 (Expenses)**

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.

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 column of the Statement of Net Position.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### **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.

### **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, 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 deferred charges on refunding of debt and for pension related items.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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 pension related items.

### **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, 2016, 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.

**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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### **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 \$65,425,001 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.

### **Interfund Activity**

Transfers between governmental 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 activities columns of the statement of activities, except for the net residual amounts transferred between governmental 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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### **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.

### **Change in Accounting Principles**

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 District has implemented the provisions of this Statement as of June 30, 2016.

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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

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 District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

### **New Accounting Pronouncements**

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*.

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

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

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

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

|                                |                       |
|--------------------------------|-----------------------|
| Governmental activities        | \$ 250,958,851        |
| Fiduciary funds                | 32,184,481            |
| Total Deposits and Investments | <u>\$ 283,143,332</u> |

Deposits and investments as of June 30, 2016, consist of the following:

|                                |                       |
|--------------------------------|-----------------------|
| Cash on hand and in banks      | \$ 393,254            |
| Cash in revolving              | 216,520               |
| Investments                    | 282,533,558           |
| Total Deposits and Investments | <u>\$ 283,143,332</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, 2016**

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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<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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, 2016

### Authorized Under Debt Agreements

| Authorized<br>Investment Type                                                           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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<br>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<br>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<br>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, 2016

### 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 Treasury 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                                                  | Reported<br>Amount    | Maturity Date/<br>Average Maturity<br>in Days |
|------------------------------------------------------------------|-----------------------|-----------------------------------------------|
| Riverside County Treasury Investment Pool                        | \$ 245,760,513        | 402                                           |
| First American Treasury Obligations Money Market<br>Mutual Funds | 26,455,340            | 33                                            |
| Federal Home Loan Mortgage Corporation Notes                     | 208,028               | 1/27/2017                                     |
| Federal National Mortgage Association Notes                      | 448,699               | 1/30/2017                                     |
| Federal National Mortgage Association Callable Notes             | 407,737               | 11/28/2017                                    |
| Federal Home Loan Mortgage Corporation Notes                     | 2,053,505             | 3/7/2018                                      |
| Federal Home Loan Mortgage Corporation Notes                     | 984,364               | 3/8/2017                                      |
| Federal Home Loan Mortgage Corporation Unsecured<br>Senior Notes | 1,152,172             | 7/28/2017                                     |
| Federal Home Loan Mortgage Corporation Unsecured<br>Senior Notes | 1,687,548             | 5/21/2018                                     |
| Federal Farm Credit Banks Discount Notes                         | 1,908,371             | 8/31/2016                                     |
| Federal Home Loan Bank Notes                                     | 418,752               | 2/18/2021                                     |
| Federal National Mortgage Association Notes                      | 421,787               | 2/5/2020                                      |
| Federal National Mortgage Association Notes                      | 419,200               | 3/13/2019                                     |
| Toyota Motor Credit Commercial Paper                             | 207,542               | 8/30/2016                                     |
| Total                                                            | <u>\$ 282,533,558</u> |                                               |

### 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, 2016, other than Toyota Motor Credit Commercial Paper, which has been rated P-1.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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, 2016, the District's bank balance of \$7,804,016 was exposed to custodial credit risk because it was uninsured and uncollateralized.

### NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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

The District's fair value measurements are as follows at June 30, 2016:

| Investment Type                                                  | Reported<br>Amount    | Fair Value<br>Measurements |                       |
|------------------------------------------------------------------|-----------------------|----------------------------|-----------------------|
|                                                                  |                       | Using<br>Level 2<br>Inputs | Uncategorized         |
| U.S. Agencies Securities                                         | \$ 10,110,163         | \$ 10,084,450              | \$ -                  |
| First American Treasury Obligations Money<br>Market Mutual Funds | 26,455,340            | 26,455,340                 | -                     |
| Toyota Motor Credit Commercial Paper                             | 207,542               | 207,786                    | -                     |
| Riverside County Treasury Investment Pool                        | 245,760,513           | -                          | 245,760,513           |
| <b>Total</b>                                                     | <b>\$ 282,533,558</b> | <b>\$ 36,747,576</b>       | <b>\$ 245,760,513</b> |

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

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

|                                             | General<br>Fund      | Building<br>Fund  | Non-Major<br>Governmental<br>Funds | Internal<br>Service<br>Fund | Total<br>Governmental<br>Activities | Fiduciary<br>Fund   |
|---------------------------------------------|----------------------|-------------------|------------------------------------|-----------------------------|-------------------------------------|---------------------|
| Federal Government                          |                      |                   |                                    |                             |                                     |                     |
| Categorical aid                             | \$ 8,921,995         | \$ -              | \$ 2,041,127                       | \$ -                        | \$ 10,963,122                       | \$ -                |
| State Government                            |                      |                   |                                    |                             |                                     |                     |
| Categorical aid                             | 1,206,030            | -                 | 125,553                            | -                           | 1,331,583                           | -                   |
| Lottery                                     | 5,967,527            | -                 | -                                  | -                           | 5,967,527                           | -                   |
| Special education                           | 899,784              | -                 | -                                  | -                           | 899,784                             | -                   |
| Local Government                            |                      |                   |                                    |                             |                                     |                     |
| Interest                                    | 144,464              | 135,440           | -                                  | -                           | 279,904                             | -                   |
| Orange County<br>Department<br>of Education | 667,363              | -                 | 8,540                              | 33,699                      | 709,602                             | -                   |
| Other Local Sources                         | 1,121,290            |                   | 31,896                             | 118,245                     | 1,271,431                           | 3,032,509           |
| <b>Total</b>                                | <b>\$ 18,928,453</b> | <b>\$ 135,440</b> | <b>\$ 2,207,116</b>                | <b>\$ 151,944</b>           | <b>\$ 21,422,953</b>                | <b>\$ 3,032,509</b> |

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 5 - LONG-TERM RECEIVABLES**

The \$69,465,000 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 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

|                                                | Balance<br>July 1, 2015<br>as Restated | Additions            | Deductions            | Balance<br>June 30, 2016 |
|------------------------------------------------|----------------------------------------|----------------------|-----------------------|--------------------------|
| <b>Governmental Activities</b>                 |                                        |                      |                       |                          |
| Capital Assets Not Being Depreciated           |                                        |                      |                       |                          |
| Land                                           | \$ 86,028,059                          | \$ -                 | \$ -                  | \$ 86,028,059            |
| Construction in process                        | 129,097,242                            | 22,713,152           | 129,065,342           | 22,745,052               |
| Total Capital Assets Not<br>Being Depreciated  | <u>215,125,301</u>                     | <u>22,713,152</u>    | <u>129,065,342</u>    | <u>108,773,111</u>       |
| Capital Assets Being Depreciated               |                                        |                      |                       |                          |
| Land improvements                              | 56,921,156                             | 20,523,587           | -                     | 77,444,743               |
| Buildings and improvements                     | 933,476,104                            | 106,565,460          | -                     | 1,040,041,564            |
| Furniture and equipment                        | 37,517,887                             | 7,073,303            | -                     | 44,591,190               |
| Total Capital Assets<br>Being Depreciated      | <u>1,027,915,147</u>                   | <u>134,162,350</u>   | <u>-</u>              | <u>1,162,077,497</u>     |
| Less Accumulated Depreciation                  |                                        |                      |                       |                          |
| Land improvements                              | 30,463,392                             | 11,176,151           | -                     | 41,639,543               |
| Buildings and improvements                     | 303,382,961                            | 43,742,491           | -                     | 347,125,452              |
| Furniture and equipment                        | 24,161,156                             | 3,612,466            | -                     | 27,773,622               |
| Total Accumulated<br>Depreciation              | <u>358,007,509</u>                     | <u>58,531,108</u>    | <u>-</u>              | <u>416,538,617</u>       |
| Governmental Activities<br>Capital Assets, Net | <u>\$ 885,032,939</u>                  | <u>\$ 98,344,394</u> | <u>\$ 129,065,342</u> | <u>\$ 854,311,991</u>    |

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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Depreciation expense was charged to governmental functions as follows:

Governmental activities:

|                                  |                             |
|----------------------------------|-----------------------------|
| Instruction                      | \$ 50,894,341               |
| Supervision of instruction       | 1,286,983                   |
| School site administration       | 1,052,986                   |
| Home-to-school transportation    | 1,228,484                   |
| Food services                    | 31,866                      |
| All other pupil services         | 292,496                     |
| Data processing                  | 233,997                     |
| All other general administration | 1,169,985                   |
| Plant services                   | 2,339,970                   |
| Total Depreciation Expenses      | <u><u>\$ 58,531,108</u></u> |

**NOTE 7 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2016, between major governmental funds, non-major governmental funds, and non-major enterprise funds are as follows:

|                     |                            |
|---------------------|----------------------------|
| Due To              | <u>Due From</u>            |
| <u>General Fund</u> | Non-Major                  |
|                     | Governmental               |
|                     | Funds                      |
|                     | <u><u>\$ 1,007,446</u></u> |

The balance of \$1,007,446 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from salaries, benefits, and other operating expenditure reimbursement.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2016, consisted of the following:

| Transfer To                  | Transfer From     |                   |                                    | Total<br>Governmental<br>Funds |
|------------------------------|-------------------|-------------------|------------------------------------|--------------------------------|
|                              | General<br>Fund   | Building<br>Fund  | Non-Major<br>Governmental<br>Funds |                                |
| General Fund                 | \$ -              | \$ 200,000        | \$ -                               | \$ 200,000                     |
| Non-Major Governmental Funds | 504,994           | 593,179           | 2,612,881                          | 3,711,054                      |
| <b>Total</b>                 | <u>\$ 504,994</u> | <u>\$ 793,179</u> | <u>\$ 2,612,881</u>                | <u>\$ 3,911,054</u>            |

|                                                                                                                                                                                                                        |                     |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| The General Fund transferred to the Child Development Non-Major Governmental Fund for an operating contribution.                                                                                                       | \$ 504,994          |
| The Building Fund transferred to the General Fund for repayment of temporary operating loan.                                                                                                                           | 200,000             |
| The Building Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for repayment of temporary operating contribution.                                                           | 593,179             |
| The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for debt service requirements on outstanding certificates of participation. | 2,367,881           |
| The Debt Service Non-Major Governmental Fund for Blended Component Units transferred to the Capital Facilities Non-Major Governmental Fund for qualifying capital outlay costs.                                        | 245,000             |
|                                                                                                                                                                                                                        | <u>\$ 3,911,054</u> |

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2016, consisted of the following:

|                          | General<br>Fund      | Building<br>Fund    | Non-Major<br>Governmental<br>Funds | Internal<br>Service<br>Fund | Total<br>Governmental<br>Activities | Fiduciary<br>Fund   |
|--------------------------|----------------------|---------------------|------------------------------------|-----------------------------|-------------------------------------|---------------------|
| Salaries and benefits    | \$ 5,290,749         | \$ -                | \$ 205,853                         | \$ -                        | \$ 5,496,602                        | \$ -                |
| LCFF                     |                      |                     |                                    |                             |                                     |                     |
| apportionment            | 8,311,969            | -                   | -                                  | -                           | 8,311,969                           | -                   |
| Supplies                 | 940,175              | 1,653,102           | 115,276                            | 1,790                       | 2,710,343                           | -                   |
| Services                 | 3,019,792            | 294,312             | 121,825                            | -                           | 3,435,929                           | -                   |
| Capital outlay           | 56,133               | 1,951,760           | 1,162,314                          | -                           | 3,170,207                           | -                   |
| Other vendor<br>payables | 266,589              | 337                 | 270,365                            | -                           | 537,291                             | 3,063,749           |
| Total                    | <u>\$ 17,885,407</u> | <u>\$ 3,899,511</u> | <u>\$ 1,875,633</u>                | <u>\$ 1,790</u>             | <u>\$ 23,662,341</u>                | <u>\$ 3,063,749</u> |

**NOTE 9 - UNEARNED REVENUE**

Unearned revenue at June 30, 2016, consists of the following:

|                              | General<br>Fund     |
|------------------------------|---------------------|
| Federal financial assistance | \$ 329,453          |
| State categorical aid        | 1,865,690           |
| Total                        | <u>\$ 2,195,143</u> |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### NOTE 10 - LONG-TERM OBLIGATIONS

#### Summary

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

|                                                                             | July 1, 2015          | Additions             | Deductions            | Balance<br>June 30, 2016 | Due in<br>One Year   |
|-----------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|--------------------------|----------------------|
| General obligation bonds                                                    | \$ 306,498,016        | \$ 161,218,620        | \$ 63,370,000         | \$ 404,346,636           | \$ 16,460,000        |
| Premium on issuance                                                         | 15,083,189            | 14,454,149            | 4,247,398             | 25,289,940               | -                    |
| 2011 Refunding Certificates<br>of Participation, Series A                   | 26,755,000            | -                     | 1,160,000             | 25,595,000               | 1,205,000            |
| Premium on issuance                                                         | 706,412               | -                     | 49,285                | 657,127                  | -                    |
| Corona-Norco Unified<br>School District Public<br>Financing Authority Bonds | 83,650,000            | 18,605,000            | 35,895,000            | 66,360,000               | 2,520,000            |
| Capital leases                                                              | 330,000               | 59,382                | 182,103               | 207,279                  | 169,016              |
| Claims liability                                                            | 15,516,000            | 1,882,832             | 1,882,832             | 15,516,000               | 1,882,832            |
| Supplemental early<br>retirement plan (SERP)                                | 4,011,627             | -                     | 1,365,209             | 2,646,418                | 1,323,209            |
| Other postemployment<br>benefits (OPEB)                                     | 9,063,054             | 5,038,557             | 1,360,235             | 12,741,376               | -                    |
| Accumulated vacation - net                                                  | 4,443,179             | 3,381,926             | -                     | 7,825,105                | -                    |
|                                                                             | <u>\$ 466,056,477</u> | <u>\$ 204,640,466</u> | <u>\$ 109,512,062</u> | <u>\$ 561,184,881</u>    | <u>\$ 23,560,057</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 and the Cafeteria 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, 2016

### 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            |                               | Redeemed              |
| 7/1/00     | 2025           | 4.15-6.04%    | \$ 14,885,534  | \$ 14,704,856         | \$ -                  | \$ 868,597          | \$ 1,505,000                  | \$ 14,068,453         |
| 12/1/01    | 2026           | 3.00-5.72%    | 23,000,139     | 23,258,223            | -                     | 1,321,849           | -                             | 24,580,072            |
| 12/12/02   | 2027           | 2.50-5.71%    | 10,113,949     | 11,538,902            | -                     | 648,909             | 660,000                       | 11,527,811            |
| 3/14/05    | 2023           | 2.05-4.49%    | 13,340,000     | 6,390,000             | -                     | -                   | 6,390,000                     | -                     |
| 6/14/07    | 2031           | 3.52-4.35%    | 75,000,000     | 54,505,000            | -                     | -                   | 49,955,000                    | 4,550,000             |
| 2/4/09     | 2034           | 3.00-6.11%    | 53,429,200     | 54,782,412            | -                     | 943,266             | 800,000                       | 54,925,678            |
| 12/1/09    | 2039           | 2.50-7.08%    | 67,997,922     | 88,126,871            | -                     | 5,057,922           | 1,775,000                     | 91,409,793            |
| 12/1/09    | 2036           | 4.77%         | 32,000,000     | 32,000,000            | -                     | -                   | -                             | 32,000,000            |
| 11/26/11   | 2027           | 2.00-5.50%    | 21,568,291     | 21,191,752            | -                     | 708,077             | 1,235,000                     | 20,664,829            |
| 7/8/15     | 2045           | 2.50-5.00%    | 99,995,000     | -                     | 99,995,000            | -                   | -                             | 99,995,000            |
| 7/8/15     | 2032           | 3.00-5.00%    | 51,675,000     | -                     | 51,675,000            | -                   | 1,050,000                     | 50,625,000            |
|            |                |               |                | <u>\$ 306,498,016</u> | <u>\$ 151,670,000</u> | <u>\$ 9,548,620</u> | <u>\$ 63,370,000</u>          | <u>\$ 404,346,636</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, 2016, the principal balance outstanding of the 1998 General Obligation Bonds, Series B was \$14,068,453.

### 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, 2016, the principal balance outstanding on the 1998 General Obligation Bonds, Series C was \$24,580,072. Unamortized premium received on issuance of the bonds amounted to \$158,928 as of June 30, 2016.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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, 2016, the principal balance outstanding of the 1998 General Obligation Bonds, Series D was \$11,527,811. Unamortized premium received on issuance of the bonds amounted to \$114,907, as of June 30, 2016.

### **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. On July 8, 2015, the remaining principal of \$3,980,000 was defeased with proceeds from the issuance of the District's 2015 General Obligation Refunding Bonds. As a result, there was no outstanding principal balance remaining as of June 30, 2016.

### **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. On July 8, 2015, \$47,855,000 of principle was defeased with proceeds from the issuance of the District's 2015 General Obligation Refunding Bonds. At June 30, 2016, the principal balance outstanding of the 2006 General Obligation Bonds, Series A was \$4,550,000. Unamortized premium received on issuance of the bonds amounted to \$244,251, as of June 30, 2016.

### **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, 2016, the principal balance outstanding on the 2006 General Obligation Bonds, Series B was \$54,925,678. Unamortized premium received on issuance of the bonds amounted to \$2,970,302, as of June 30, 2016.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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, 2016, the principal balance outstanding on the 2006 General Obligation Bonds, Series C was \$91,409,793. Unamortized premium received on issuance of the bonds amounted to \$7,855,662, as of June 30, 2016.

### **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, 2016, 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. 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, 2016, the principal balance outstanding on the 2006 General Obligation Bonds, Series E was \$20,664,829. Unamortized premium received on issuance as of June 30, 2016, amounted to \$150,577.

### **2014 General Obligation, Series A**

On July 8, 2015, the Corona-Norco Unified School District issued 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 the principal amount of \$99,995,000 and premium of \$8,728,494, less cost of issuance of \$665,944). The bonds have a final maturity which occurs on August 1, 2044 with interest rates of 2.5 to 5.0 percent. Proceeds from the sale of the bonds were used to finance the construction of school facilities and repair of existing school facilities. As of June 30, 2016, the principal balance outstanding was \$99,995,000, and unamortized premium on issuance was \$8,427,512.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

### 2015 General Obligation Refunding Bonds

On July 8, 2015, the Corona-Norco Unified School District issued 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 \$57,052,754 (representing the principal amount of \$51,675,000 and premium of \$5,725,655, less cost of issuance of \$347,901). The bonds have a final maturity which occurs on August 1, 2031 with interest rates of 3.0 to 5.0 percent. Proceeds from the sale of the bonds were used to provide advance refunding of the District's 2005 General Obligation Refunding Bonds and partial refunding of 2006 General Obligation Bonds Series A in the amount of \$3,980,000 and \$47,855,000, respectively. The refunding resulted in a cumulative cash flow saving of \$5,237,387 over the life of the new debt and an economic gain of \$4,130,536 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.34 percent. As of June 30, 2016, the principal balance outstanding was \$50,625,000, and unamortized premium on issuance and deferred amount on refunding were \$5,367,801 and \$2,577,178, respectively.

The general obligation bonds mature as follows:

| Fiscal Year | Principal<br>Including Accreted<br>Interest to Date | Accreted<br>Interest | Current<br>Interest to<br>Maturity | Total          |
|-------------|-----------------------------------------------------|----------------------|------------------------------------|----------------|
| 2017        | \$ 16,305,035                                       | \$ 154,965           | \$ 13,368,741                      | \$ 29,828,741  |
| 2018        | 18,502,290                                          | 892,710              | 13,906,686                         | 33,301,686     |
| 2019        | 14,328,898                                          | 1,251,102            | 14,478,894                         | 30,058,894     |
| 2020        | 15,357,563                                          | 1,927,437            | 14,120,844                         | 31,405,844     |
| 2021        | 11,110,181                                          | 3,334,819            | 13,883,244                         | 28,328,244     |
| 2022-2026   | 76,600,811                                          | 37,974,189           | 83,789,615                         | 198,364,615    |
| 2027-2031   | 63,394,238                                          | 13,510,869           | 57,554,144                         | 134,459,251    |
| 2032-2036   | 92,859,715                                          | 15,333,579           | 38,020,713                         | 146,214,007    |
| 2037-2041   | 71,122,905                                          | 25,478,785           | 13,290,960                         | 109,892,650    |
| 2042-2045   | 24,765,000                                          | -                    | 1,869,975                          | 26,634,975     |
| Total       | \$ 404,346,636                                      | \$ 99,858,455        | \$ 264,283,816                     | \$ 768,488,907 |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

### 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, 2016, the principal balance is \$25,595,000. Unamortized premium on issuance and deferred charge on refunding were \$657,127, and \$118,888, respectively.

| Year Ending<br>June 30, | Principal            | Interest             | Total                |
|-------------------------|----------------------|----------------------|----------------------|
| 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                    | 1,440,000            | 942,694              | 2,382,694            |
| 2022-2026               | 8,255,000            | 3,670,994            | 11,925,994           |
| 2027-2030               | 10,290,000           | 1,635,119            | 11,925,119           |
| 2031                    | 475,000              | 21,969               | 496,969              |
| <b>Total</b>            | <b>\$ 25,595,000</b> | <b>\$ 10,676,677</b> | <b>\$ 36,271,677</b> |

### 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. 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. Lastly, the 2016 PFA, Series A Refunding Bonds refinanced the debt for 2005 PFA, Series B Refunding Bonds. As of June 30, 2016, the principal balance is \$66,360,000.

| Fiscal Year  | Principal            | Current<br>Interest to<br>Maturity | Total                 |
|--------------|----------------------|------------------------------------|-----------------------|
| 2017         | \$ 2,520,000         | \$ 2,616,516                       | \$ 5,136,516          |
| 2018         | 2,615,000            | 2,633,025                          | 5,248,025             |
| 2019         | 2,695,000            | 2,627,909                          | 5,322,909             |
| 2020         | 2,795,000            | 2,646,105                          | 5,441,105             |
| 2021         | 2,900,000            | 2,667,677                          | 5,567,677             |
| 2022-2026    | 16,470,000           | 13,847,472                         | 30,317,472            |
| 2027-2031    | 19,930,000           | 15,014,554                         | 34,944,554            |
| 2032-2036    | 16,080,000           | 12,297,467                         | 28,377,467            |
| 2037         | 355,000              | 7,366                              | 362,366               |
| <b>Total</b> | <b>\$ 66,360,000</b> | <b>\$ 54,358,091</b>               | <b>\$ 120,718,091</b> |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### Capital Leases

The District has entered into agreements to lease various mail room equipment and vehicles. 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 | \$ | 343,802        |
| Additions                  |    | 59,682         |
| Payments                   |    | (191,543)      |
| Balance, End of Year       | \$ | <u>211,941</u> |

The capital leases have minimum lease payments as follows:

| Year Ending<br>June 30,                 | Lease<br>Payment  |
|-----------------------------------------|-------------------|
| <u>2017</u>                             | \$ 173,678        |
| 2018                                    | 25,509            |
| 2019                                    | 12,754            |
| Total                                   | <u>211,941</u>    |
| Less: Amount Representing Interest      | (4,662)           |
| Present Value of Minimum Lease Payments | <u>\$ 207,279</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, 2016, amounted to \$15,516,000, using a discount factor of 1.50 percent.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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### 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, 2016, the balance of the obligation associated with the supplemental early retirement plan was \$2,646,418.

Future payments are as follows:

| Year Ending<br>June 30, | Annual<br>Payment   |
|-------------------------|---------------------|
| 2017                    | \$ 1,323,209        |
| 2018                    | 1,323,209           |
| Total                   | <u>\$ 2,646,418</u> |

### Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$5,098,356, and contributions made by the District during the year were \$1,360,235. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$407,838 and \$(467,637), respectively, which resulted in an increase to the net OPEB obligation of \$3,678,322. As of June 30, 2016, the net OPEB obligation was \$12,741,376. 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, 2016, amounted to \$7,825,105.

### NOTE 11 - 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, 2016, of \$81,980,000.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

|                                     | General<br>Fund      | Building<br>Fund     | Bond Interest<br>and Redemption<br>Fund | Non-Major<br>Governmental<br>Funds | Total                 |
|-------------------------------------|----------------------|----------------------|-----------------------------------------|------------------------------------|-----------------------|
| <b>Nonspendable</b>                 |                      |                      |                                         |                                    |                       |
| Revolving cash                      | \$ 205,000           | \$ -                 | \$ -                                    | \$ 11,520                          | \$ 216,520            |
| Stores inventories                  | 96,646               | -                    | -                                       | 137,211                            | 233,857               |
| Prepaid expenditures                | 92,248               | -                    | -                                       | -                                  | 92,248                |
| Total Nonspendable                  | 393,894              | -                    | -                                       | 148,731                            | 542,625               |
| <b>Restricted</b>                   |                      |                      |                                         |                                    |                       |
| Legally restricted programs         | 6,257,031            | -                    | -                                       | 2,686,079                          | 8,943,110             |
| Capital projects                    | -                    | 78,360,791           | -                                       | 6,424,544                          | 84,785,335            |
| Debt services                       | -                    | -                    | 34,019,471                              | 20,075,959                         | 54,095,430            |
| Total Restricted                    | 6,257,031            | 78,360,791           | 34,019,471                              | 29,186,582                         | 147,823,875           |
| <b>Committed</b>                    |                      |                      |                                         |                                    |                       |
| Adult education program             | -                    | -                    | -                                       | 807,023                            | 807,023               |
| Deferred maintenance program        | -                    | -                    | -                                       | 790,875                            | 790,875               |
| Total Committed                     | -                    | -                    | -                                       | 1,597,898                          | 1,597,898             |
| <b>Assigned</b>                     |                      |                      |                                         |                                    |                       |
| Site carryover                      | 3,416,228            | -                    | -                                       | -                                  | 3,416,228             |
| Enrollment adjustment               | 36,589,115           | -                    | -                                       | -                                  | 36,589,115            |
| Fundraiser/ASB                      | 1,218,373            | -                    | -                                       | -                                  | 1,218,373             |
| Textbooks                           | 6,000,000            | -                    | -                                       | -                                  | 6,000,000             |
| Local grants                        | 256,407              | -                    | -                                       | -                                  | 256,407               |
| Instructional Materials             |                      |                      |                                         |                                    |                       |
| Facilities maintenance & Technology | 12,093,000           | -                    | -                                       | -                                  | 12,093,000            |
| Vacation payout                     | 141,002              | -                    | -                                       | -                                  | 141,002               |
| LCAP carryover                      | 2,309,601            | -                    | -                                       | -                                  | 2,309,601             |
| Total Assigned                      | 62,023,726           | -                    | -                                       | -                                  | 62,023,726            |
| <b>Unassigned</b>                   |                      |                      |                                         |                                    |                       |
| Reserve for economic uncertainties  | 10,243,801           | -                    | -                                       | -                                  | 10,243,801            |
| Remaining unassigned                | 2,378,722            | -                    | -                                       | -                                  | 2,378,722             |
| Total Unassigned                    | 12,622,523           | -                    | -                                       | -                                  | 12,622,523            |
| <b>Total</b>                        | <b>\$ 81,297,174</b> | <b>\$ 78,360,791</b> | <b>\$ 34,019,471</b>                    | <b>\$ 30,933,211</b>               | <b>\$ 224,610,647</b> |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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 \$5,900 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 209 retirees and their beneficiaries currently receiving benefits, and 3,023 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 2015-2016, the District contributed \$1,360,235 to the Plan, all of which was used for current premiums (approximately 51.1 percent of total premiums). Plan members receiving benefits contributed \$1,303,077 or approximately 48.9 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:

|                                            |                             |
|--------------------------------------------|-----------------------------|
| Annual required contribution               | \$ 5,098,356                |
| Interest on net OPEB obligation            | 407,838                     |
| Adjustment to annual required contribution | <u>(467,637)</u>            |
| Annual OPEB cost                           | 5,038,557                   |
| Contributions made                         | <u>(1,360,235)</u>          |
| Increase in net OPEB obligation            | 3,678,322                   |
| Net OPEB obligation, beginning of year     | 9,063,054                   |
| Net OPEB obligation, end of year           | <u><u>\$ 12,741,376</u></u> |

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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**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<br>June 30, | Annual<br>OPEB Cost | Actual<br>Contribution | Percentage<br>Contributed | Net OPEB<br>Obligation |
|------------------------|---------------------|------------------------|---------------------------|------------------------|
| 2014                   | \$ 2,739,747        | \$ 1,341,485           | 48.96%                    | \$ 7,606,008           |
| 2015                   | 2,738,703           | 1,281,657              | 46.80%                    | 9,063,054              |
| 2016                   | 5,038,557           | 1,360,235              | 27.00%                    | 12,741,376             |

**Funded Status and Funding Progress**

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

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Unprojected<br>Unit Credit (b) | Unfunded<br>AAL<br>(UAAL)<br>(b - a) | Funded Ratio<br>(a / b) | Covered<br>Payroll (c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>([b - a] / c) |
|--------------------------------|----------------------------------|--------------------------------------------------------------------------------|--------------------------------------|-------------------------|------------------------|----------------------------------------------------------------|
| April 1, 2016                  | \$ -                             | \$ 44,162,051                                                                  | \$ 44,162,051                        | 0%                      | \$ 354,589,933         | 12.45%                                                         |

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, 2016

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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, 2016, actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 4.50 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, 2016, was 21 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, 2016**

**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, 2016. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2016:

|                                                 | <u>Workers'<br/>Compensation</u> |
|-------------------------------------------------|----------------------------------|
| Liability Balance, July 1, 2014                 | \$ 14,687,000                    |
| Claims and changes in estimates                 | 2,423,537                        |
| Claims payments                                 | <u>(1,594,537)</u>               |
| Liability Balance, June 30, 2015                | 15,516,000                       |
| Claims and changes in estimates                 | 1,882,832                        |
| Claims payments                                 | <u>(1,882,832)</u>               |
| Liability Balance, June 30, 2016                | <u>\$ 15,516,000</u>             |
| Assets available to pay claims at June 30, 2016 | <u><u>\$ 22,241,568</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).

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| <u>Pension Plan</u> | <u>Collective Net<br/>Pension Liability</u> | <u>Collective<br/>Deferred Outflows<br/>of Resources</u> | <u>Collective<br/>Deferred Inflows<br/>of Resources</u> | <u>Collective<br/>Pension Expense</u> |
|---------------------|---------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|---------------------------------------|
| CalSTRS             | \$ 360,710,997                              | \$ 76,908,870                                            | \$ 63,852,020                                           | \$ 45,678,527                         |
| CalPERS             | 74,173,770                                  | 30,658,804                                               | 19,279,468                                              | 8,357,907                             |
| Total               | <u>\$ 434,884,767</u>                       | <u>\$ 107,567,674</u>                                    | <u>\$ 83,131,488</u>                                    | <u>\$ 54,036,434</u>                  |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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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, 2014, 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, 2016**

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, 2016, are summarized as follows:

|                                                           | STRP Defined Benefit Program      |                                |
|-----------------------------------------------------------|-----------------------------------|--------------------------------|
|                                                           | On or before<br>December 31, 2012 | On or after<br>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                       | 9.20%                             | 8.56%                          |
| Required employer contribution rate                       | 10.73%                            | 10.73%                         |
| Required state contribution rate                          | 7.12589%                          | 7.12589%                       |

### 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, 2016, are presented above and the District's total contributions were \$13,515,919.

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

At June 30, 2016, 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                               | \$ 360,710,997        |
| State's proportionate share of the net pension liability associated with the District | 190,776,354           |
| Total                                                                                 | <u>\$ 551,487,351</u> |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.5358 percent and 0.5048 percent, resulting in a net increase in the proportionate share of 0.0310 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$45,678,527. In addition, the District recognized pension expense and revenue of \$14,777,771 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                         | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date                                                    | \$ 29,149,366                     | \$ -                             |
| Net change in proportionate share of net pension liability                                              | 19,338,860                        | -                                |
| Difference between projected and actual earnings<br>on pension plan investments                         | 28,420,644                        | 57,824,454                       |
| Differences between expected and actual experience in<br>the measurement of the total pension liability | -                                 | 6,027,566                        |
| Total                                                                                                   | <u>\$ 76,908,870</u>              | <u>\$ 63,852,020</u>             |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|------------------------------------------------|
| 2017                   | \$ (12,169,657)                                |
| 2018                   | (12,169,657)                                   |
| 2019                   | (12,169,657)                                   |
| 2020                   | 7,105,161                                      |
| Total                  | <u>\$ (29,403,810)</u>                         |

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|------------------------------------------------|
| 2017                   | \$ 2,218,549                                   |
| 2018                   | 2,218,549                                      |
| 2019                   | 2,218,549                                      |
| 2020                   | 2,218,549                                      |
| 2021                   | 2,218,549                                      |
| Thereafter             | 2,218,549                                      |
| Total                  | <u>\$ 13,311,294</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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2014                      |
| Measurement date          | June 30, 2015                      |
| 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%                              |

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.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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's 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 independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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:

| Asset Class         | Assumed Asset Allocation | Long-term Expected Real Rate of Return |
|---------------------|--------------------------|----------------------------------------|
| 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.

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 (6.60%)           | \$ 544,645,531        |
| Current discount rate (7.60%) | 360,710,997           |
| 1% increase (8.60%)           | 207,846,559           |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. 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.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

|                                                           | School Employer Pool (CalPERS)    |                                |
|-----------------------------------------------------------|-----------------------------------|--------------------------------|
|                                                           | On or before<br>December 31, 2012 | On or after<br>January 1, 2013 |
| Hire date                                                 | December 31, 2012                 | January 1, 2013                |
| Benefit formula                                           | 2% at 55                          | 2% at 62                       |
| Benefit vesting schedule                                  | 5 years of service                | 5 years of service             |
| Benefit payments                                          | Monthly for life                  | Monthly for life               |
| Retirement age                                            | 55                                | 62                             |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5%                       | 1.0% - 2.5%                    |
| Required employee contribution rate                       | 7.000%                            | 6.000%                         |
| Required employer contribution rate                       | 11.847%                           | 11.847%                        |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### 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, 2016, are presented above and the total District contributions were \$7,670,503.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$74,173,770. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.5032 percent and 0.4453 percent, resulting in a net increase in the proportionate share of 0.0579 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$8,357,907. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                      | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date                                                 | \$ 7,670,503                      | \$ -                             |
| Net change in proportionate share of net pension liability                                           | 6,566,908                         | -                                |
| Difference between projected and actual earnings on pension plan investments                         | 12,182,253                        | 14,722,025                       |
| Differences between expected and actual experience in the measurement of the total pension liability | 4,239,140                         | -                                |
| Changes of assumptions                                                                               | -                                 | 4,557,443                        |
| Total                                                                                                | <u>\$ 30,658,804</u>              | <u>\$ 19,279,468</u>             |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2016**

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The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|------------------------------------------------|
| 2017                   | \$ (1,861,779)                                 |
| 2018                   | (1,861,779)                                    |
| 2019                   | (1,861,779)                                    |
| 2020                   | 3,045,565                                      |
| Total                  | <u>\$ (2,539,772)</u>                          |

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|------------------------------------------------|
| 2017                   | \$ 2,154,691                                   |
| 2018                   | 2,154,691                                      |
| 2019                   | 1,939,223                                      |
| Total                  | <u>\$ 6,248,605</u>                            |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### 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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2014                      |
| Measurement date          | June 30, 2015                      |
| Experience study          | July 1, 1997 through June 30, 2011 |
| Actuarial cost method     | Entry age normal                   |
| Discount rate             | 7.65%                              |
| Investment rate of return | 7.65%                              |
| Consumer price inflation  | 2.75%                              |
| Wage growth               | Varies by entry age and service    |

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.

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:

| <u>Asset Class</u>            | <u>Assumed Asset Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|-------------------------------|---------------------------------|-----------------------------------------------|
| Global equity                 | 51%                             | 5.25%                                         |
| Global fixed income           | 19%                             | 0.99%                                         |
| Private equity                | 10%                             | 6.83%                                         |
| Real estate                   | 10%                             | 4.50%                                         |
| Inflation sensitive           | 6%                              | 0.45%                                         |
| Infrastructure and Forestland | 2%                              | 4.50%                                         |
| Liquidity                     | 2%                              | -0.55%                                        |

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Discount Rate

The discount rate used to measure the total pension liability was 7.65 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:

| <u>Discount rate</u>          | <u>Net Pension<br/>Liability</u> |
|-------------------------------|----------------------------------|
| 1% decrease (6.65%)           | \$ 120,723,989                   |
| Current discount rate (7.65%) | 74,173,770                       |
| 1% increase (8.65%)           | 35,464,151                       |

### 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 \$16,437,844 (7.12589 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.

## 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, 2016.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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### Litigation

The District is involved in various litigations 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, 2016.

### 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), and 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.

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, 2016, the District made a payment of \$1,347,530, \$12,533,023, and \$24,287,170 to SCR, SISC, and VEBA, respectively, for the coverage noted above.

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

The District has elected to classify the Cafeteria Fund as a governmental fund in the current year as prescribed by GASB Statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments*. As a result, the effect on the current fiscal year is as follows:

#### Government-Wide Financial Statements - Governmental Activities

|                                                                                                          |                       |
|----------------------------------------------------------------------------------------------------------|-----------------------|
| Net Position - Beginning                                                                                 | \$ 224,084,573        |
| Reclassification of Cafeteria Fund Net Position from Business Type Activities to Governmental Activities | 1,779,942             |
| Net Position - Beginning, as Restated                                                                    | <u>\$ 225,864,515</u> |

#### Non-Major Governmental Funds - Cafeteria Fund

|                                                                              |                     |
|------------------------------------------------------------------------------|---------------------|
| Fund Balance - Beginning                                                     | \$ -                |
| Reclassification of Cafeteria From from Enterprise Fund to Governmental Fund | 1,362,921           |
| Fund Balance - Beginning, as Restated                                        | <u>\$ 1,362,921</u> |

# **CORONA-NORCO UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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### **NOTE 19 - SUBSEQUENT EVENT**

#### **2016 General Obligation Refunding Bonds, Series A**

On October 26, 2016, the Corona-Norco Unified School District issued the 2016 General Obligation Refunding Bonds, Series A in the amount of \$70,030,000. The Series A bonds were issued as current interest bonds. The Series A bonds were issued at an aggregate price of \$77,533,286 (representing principal amount of \$70,030,000 plus an original issue premium of \$7,981,433 less cost of issuance of \$478,147). Proceeds from the sale of bonds will be used to refund a portion of the District's outstanding 2006 General Obligation Bonds, Series B and 2006 General Obligation Bonds, Series C.

#### **2016 General Obligation Refunding Bonds, Series B**

On October 26, 2016, the Corona-Norco Unified School District issued the 2016 General Obligation Refunding Bonds, Series B in the amount of \$31,145,000. The Series B bonds were issued as current interest bonds. The Series B bonds were issued at an aggregate price of \$34,649,907 (representing principal amount of \$31,145,000 plus an original issue premium of \$3,726,198 less cost of issuance of \$221,291). Proceeds from the sale of bonds will be used to refund, on a crossover basis, the District's outstanding 2006 General Obligation Bonds, Series D.

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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, 2016**

|                                                 | <b>Budgeted Amounts</b> |                      | <b>Actual<br/>(GAAP Basis)</b> | <b>Variances -</b>         |
|-------------------------------------------------|-------------------------|----------------------|--------------------------------|----------------------------|
|                                                 | <b>Original</b>         | <b>Final</b>         |                                | <b>Positive</b>            |
|                                                 |                         |                      |                                | <b>(Negative)</b>          |
|                                                 |                         |                      |                                | <b>Final<br/>to Actual</b> |
| <b>REVENUES</b>                                 |                         |                      |                                |                            |
| Local Control Funding Formula                   | \$ 410,718,102          | \$ 410,122,619       | \$ 412,322,540                 | \$ 2,199,921               |
| Federal sources                                 | 20,274,916              | 23,633,884           | 22,546,093                     | (1,087,791)                |
| Other State sources                             | 73,590,140              | 102,207,275          | 99,311,217                     | (2,896,058)                |
| Other local sources                             | 1,446,066               | 1,912,215            | 2,819,330                      | 907,115                    |
| <b>Total Revenues</b>                           | <b>506,029,224</b>      | <b>537,875,993</b>   | <b>536,999,180</b>             | <b>(876,813)</b>           |
| <b>EXPENDITURES</b>                             |                         |                      |                                |                            |
| Current                                         |                         |                      |                                |                            |
| Certificated salaries                           | 264,694,919             | 273,761,532          | 274,218,234                    | (456,702)                  |
| Classified salaries                             | 67,843,067              | 68,870,121           | 70,140,744                     | (1,270,623)                |
| Employee benefits                               | 71,581,602              | 90,946,137           | 91,068,501                     | (122,364)                  |
| Books and supplies                              | 19,293,067              | 31,582,570           | 16,890,201                     | 14,692,369                 |
| Services and operating expenditures             | 54,157,843              | 58,890,683           | 58,123,297                     | 767,386                    |
| Capital outlay                                  | 198,296                 | 425,041              | 555,833                        | (130,792)                  |
| Other outgo                                     | (654,899)               | 791,895              | (140,507)                      | 932,402                    |
| Debt service - principal                        | 148,515                 | 142,456              | 152,262                        | (9,806)                    |
| Debt service - interest                         | -                       | -                    | 9,141                          | (9,141)                    |
| <b>Total Expenditures</b>                       | <b>477,262,410</b>      | <b>525,410,435</b>   | <b>511,017,706</b>             | <b>14,392,729</b>          |
| <b>Excess of Revenues<br/>Over Expenditures</b> | <b>28,766,814</b>       | <b>12,465,558</b>    | <b>25,981,474</b>              | <b>13,515,916</b>          |
| <b>Other Financing Sources (Uses)</b>           |                         |                      |                                |                            |
| Transfers in                                    | -                       | 200,000              | 200,000                        | -                          |
| Transfers out                                   | (477,997)               | (503,786)            | (504,994)                      | (1,208)                    |
| <b>Net Financing<br/>Sources (Uses)</b>         | <b>(477,997)</b>        | <b>(303,786)</b>     | <b>(304,994)</b>               | <b>(1,208)</b>             |
| <b>NET CHANGE IN FUND BALANCE</b>               | <b>28,288,817</b>       | <b>12,161,772</b>    | <b>25,676,480</b>              | <b>13,514,708</b>          |
| <b>Fund Balance - Beginning</b>                 | <b>55,620,694</b>       | <b>55,620,694</b>    | <b>55,620,694</b>              | <b>-</b>                   |
| <b>Fund Balance - Ending</b>                    | <b>\$ 83,909,511</b>    | <b>\$ 67,782,466</b> | <b>\$ 81,297,174</b>           | <b>\$ 13,514,708</b>       |

See accompanying note to required supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2016**

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| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value<br/>of Assets (a)</b> | <b>Actuarial<br/>Liability<br/>(AAL) -<br/>Unprojected<br/>Unit Credit (b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b - a)</b> | <b>Funded Ratio<br/>(a / b)</b> | <b>Covered<br/>Payroll (c)</b> | <b>UAAL as a<br/>Percentage of<br/>Covered Payroll<br/>((b - a) / c)</b> |
|-----------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------|---------------------------------|--------------------------------|--------------------------------------------------------------------------|
| 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%                                                                    |
| April 1, 2016                           | -                                            | 44,162,051                                                                     | 44,162,051                                     | 0%                              | 354,589,933                    | 12.45%                                                                   |

See accompanying note to required supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016**

|                                                                                                               | <u>2016</u>           | <u>2015</u>           |
|---------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>CalSTRS</b>                                                                                                |                       |                       |
| District's proportion of the net pension liability                                                            | <u>0.5358%</u>        | <u>0.5048%</u>        |
| District's proportionate share of the net pension liability                                                   | \$ 360,710,997        | \$ 294,991,961        |
| State's proportionate share of the net pension liability associated with the District                         | <u>190,776,354</u>    | <u>178,128,882</u>    |
| Total                                                                                                         | <u>\$ 551,487,351</u> | <u>\$ 473,120,843</u> |
| District's covered - employee payroll                                                                         | <u>\$ 248,682,275</u> | <u>\$ 230,677,774</u> |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | <u>145.05%</u>        | <u>127.88%</u>        |
| Plan fiduciary net position as a percentage of the total pension liability                                    | <u>74%</u>            | <u>77%</u>            |
| <b>CalPERS</b>                                                                                                |                       |                       |
| District's proportion of the net pension liability                                                            | <u>0.5032%</u>        | <u>0.4453%</u>        |
| District's proportionate share of the net pension liability                                                   | <u>\$ 74,173,770</u>  | <u>\$ 50,553,827</u>  |
| District's covered - employee payroll                                                                         | <u>\$ 56,284,674</u>  | <u>\$ 47,346,544</u>  |
| District's proportionate share of the net pension liability as a percentage of its covered - employee payroll | <u>131.78%</u>        | <u>106.77%</u>        |
| Plan fiduciary net position as a percentage of the total pension liability                                    | <u>79%</u>            | <u>83%</u>            |

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

See accompanying note to required supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2016**

|                                                                      | <u>2016</u>           | <u>2015</u>           |
|----------------------------------------------------------------------|-----------------------|-----------------------|
| <b>CalSTRS</b>                                                       |                       |                       |
| Contractually required contribution                                  | \$ 29,149,366         | \$ 22,082,986         |
| Contributions in relation to the contractually required contribution | (29,149,366)          | (22,082,986)          |
| Contribution deficiency (excess)                                     | <u>\$ -</u>           | <u>\$ -</u>           |
| District's covered - employee payroll                                | <u>\$ 271,662,311</u> | <u>\$ 248,682,275</u> |
| Contributions as a percentage of covered - employee payroll          | <u>10.73%</u>         | <u>8.88%</u>          |
| <b>CalPERS</b>                                                       |                       |                       |
| Contractually required contribution                                  | \$ 7,670,503          | \$ 6,625,269          |
| Contributions in relation to the contractually required contribution | (7,670,503)           | (6,625,269)           |
| Contribution deficiency (excess)                                     | <u>\$ -</u>           | <u>\$ -</u>           |
| District's covered - employee payroll                                | <u>\$ 64,746,375</u>  | <u>\$ 56,284,674</u>  |
| Contributions as a percentage of covered - employee payroll          | <u>11.847%</u>        | <u>11.771%</u>        |

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

See accompanying note to required supplementary information.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

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

#### **Schedule of Other Postemployment Benefits (OPEB) Funding Progress**

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

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

#### **Schedule of District Contributions**

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

#### **Changes in Benefit Terms**

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

#### **Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

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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, 2016**

| Federal Grantor/Pass-Through<br>Grantor/Program                         | CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|-------------------------------------------------------------------------|----------------|-------------------------------------------------|-------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                     |                |                                                 |                         |
| Fund for the Improvement of Education                                   |                |                                                 |                         |
| Elementary Counseling Grant                                             | 84.215E        | [1]                                             | \$ 307,893              |
| Secondary Counseling Grant                                              | 84.215E        | [1]                                             | 255,351                 |
| Subtotal Fund for Improvement of Education                              |                |                                                 | <u>563,244</u>          |
| ARRA State Fiscal Stabilization Fund – Innovation Fund,<br>Recovery Act | 84.396C        | [1]                                             | 151,093                 |
| 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                                           | 385,701                 |
| Adult Secondary Education                                               | 84.002         | 13978                                           | 289,395                 |
| English Literacy and Civics Education                                   | 84.002A        | 14109                                           | 161,792                 |
| Subtotal Adult Education - Basic Grants to States                       |                |                                                 | <u>836,888</u>          |
| No Child Left Behind Act (NCLB)                                         |                |                                                 |                         |
| Title I, Part A - Basic Grants Low Income and Neglected                 | 84.010         | 14329                                           | 8,245,625               |
| English Language Acquisition Grants                                     |                |                                                 |                         |
| Title III - Immigrant Education                                         | 84.365         | 15146                                           | 62,848                  |
| Title III - Limited English Proficient Student Program                  | 84.365         | 14346                                           | 621,977                 |
| Subtotal - English Language Acquisition Grants                          |                |                                                 | <u>684,825</u>          |
| Title II, Part A - Improving Teacher Quality                            | 84.367         | 14341                                           | 1,142,188               |
| Individuals with Disabilities Education Act                             |                |                                                 |                         |
| Special Education (IDEA) Cluster                                        |                |                                                 |                         |
| Local Assistance Entitlement                                            | 84.027         | 13379                                           | 7,602,215               |
| Preschool Grant                                                         | 84.173         | 13430                                           | 148,674                 |
| Preschool Local Entitlement                                             | 84.027A        | 13682                                           | 358,537                 |
| Preschool Staff Development                                             | 84.173A        | 13431                                           | 10,767                  |
| Mental Health Allocation Plan                                           | 84.027         | 14468                                           | 758,386                 |
| Subtotal - Special Education (IDEA) Cluster                             |                |                                                 | <u>8,878,579</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                                           | 313,745                 |
| Passed through California Department of Rehabilitation                  |                |                                                 |                         |
| Workability II - Transition Partnership                                 | 84.126         | 10006                                           | 370,870                 |
| Total U.S. Department of Education                                      |                |                                                 | <u>21,336,052</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, 2016**

| Federal Grantor/Pass-Through<br>Grantor/Program         | CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|---------------------------------------------------------|----------------|-------------------------------------------------|-------------------------|
| <b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>    |                |                                                 |                         |
| Passed through California Department of Health Services |                |                                                 |                         |
| Medical Assistance Program                              |                |                                                 |                         |
| Medi-Cal Billing Option                                 | 93.778         | 10013                                           | \$ 825,779              |
| Medi-Cal Administrative Activities                      | 93.778         | 10060                                           | 773,603                 |
| Subtotal - Medical Assistance Program                   |                |                                                 | <u>1,599,382</u>        |
| Passed through CDE                                      |                |                                                 |                         |
| Child Care and Development Fund (CCDF) Cluster          |                |                                                 |                         |
| Federal Child Care - Center Based                       | 93.596         | 13609                                           | 22,427                  |
| Child Care and Development Block Grant                  | 93.575         | 15136                                           | 12,338                  |
| Subtotal - CCDF Cluster                                 |                |                                                 | <u>34,765</u>           |
| Total U.S. Department of Health and Human Services      |                |                                                 | <u>1,634,147</u>        |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                   |                |                                                 |                         |
| Passed through CDE                                      |                |                                                 |                         |
| Child Nutrition Cluster                                 |                |                                                 |                         |
| National School Lunch Program                           | 10.555         | 13396                                           | 10,007,251              |
| Basic School Breakfast Program                          | 10.553         | 13390                                           | 6,688                   |
| Especially Needy Breakfast Program                      | 10.553         | 13390                                           | 1,906,276               |
| Summer Food Service Program                             | 10.559         | 13004                                           | 180,634                 |
| Commodities                                             | 10.555         | 13396                                           | 1,270,934               |
| Subtotal - Child Nutrition Cluster                      |                |                                                 | <u>13,371,783</u>       |
| Child and Adult Care Food Program                       | 10.558         | 13666                                           | 693,262                 |
| Forest Reserve                                          | 10.665         | 10044                                           | 16,019                  |
| Total U.S. Department of Agriculture                    |                |                                                 | <u>14,081,064</u>       |
| Total Expenditures of Federal Awards                    |                |                                                 | <u>\$ 37,051,263</u>    |

See accompanying note to supplementary information.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

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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, and 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> |
|----------------------|----------------|---------------------|
| Cathy L. Sciortino   | President      | 2016                |
| Bill Newberry        | Vice President | 2018                |
| John Zickefoose      | Clerk          | 2018                |
| Jose W. Lalas, Ph.D. | Member         | 2016                |
| Mary Ybarra          | Member         | 2016                |

### ADMINISTRATION

| <u>NAME</u>              | <u>TITLE</u>                                    |
|--------------------------|-------------------------------------------------|
| Michael H. Lin, Ed.D.    | Superintendent                                  |
| Samuel Buenrostro, Ed.D. | Deputy Superintendent, Human Resources          |
| Alan Giles               | Assistant Superintendent, Business Services     |
| 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, 2016**

|                                                                           | Final Report            |                         |
|---------------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                           | Second Period Report    | Annual Report           |
| Regular ADA                                                               |                         |                         |
| Transitional kindergarten through third                                   | 14,743.26               | 14,774.36               |
| Fourth through sixth                                                      | 11,801.90               | 11,804.30               |
| Seventh and eighth                                                        | 7,989.06                | 7,979.55                |
| Ninth through twelfth                                                     | 16,781.89               | 16,686.58               |
| Total Regular ADA                                                         | <u>51,316.11</u>        | <u>51,244.79</u>        |
| Extended Year Special Education                                           |                         |                         |
| Transitional kindergarten through third                                   | 15.33                   | 15.33                   |
| Fourth through sixth                                                      | 13.74                   | 13.74                   |
| Seventh and eighth                                                        | 5.84                    | 5.84                    |
| Ninth through twelfth                                                     | 21.79                   | 21.79                   |
| Total Extended Year Special Education                                     | <u>56.70</u>            | <u>56.70</u>            |
| Special Education, Nonpublic, Nonsectarian Schools                        |                         |                         |
| Transitional kindergarten through third                                   | 2.34                    | 3.17                    |
| Fourth through sixth                                                      | 2.94                    | 3.85                    |
| Seventh and eighth                                                        | 7.14                    | 10.35                   |
| Ninth through twelfth                                                     | 14.24                   | 19.49                   |
| Total Special Education, Nonpublic,<br>Nonsectarian Schools               | <u>26.66</u>            | <u>36.86</u>            |
| Extended Year Special Education, Nonpublic,<br>Nonsectarian Schools       |                         |                         |
| Transitional kindergarten through third                                   | 0.47                    | 0.56                    |
| Fourth through sixth                                                      | 0.35                    | 0.38                    |
| Seventh and eighth                                                        | 0.54                    | 0.73                    |
| Ninth through twelfth                                                     | 3.14                    | 2.17                    |
| Total Extended Year Special Education, Nonpublic,<br>Nonsectarian Schools | <u>4.50</u>             | <u>3.84</u>             |
| Total ADA                                                                 | <u><u>51,403.97</u></u> | <u><u>51,342.19</u></u> |

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2016**

| Grade Level   | 1986-87             | 2015-16        | Number of Days       |                     | Status   |
|---------------|---------------------|----------------|----------------------|---------------------|----------|
|               | Minutes Requirement | Actual Minutes | Traditional Calendar | Multitrack Calendar |          |
| Kindergarten  | 36,000              | 36,060         | 180                  | 175                 | Complied |
| Grades 1 - 3  | 50,400              |                |                      |                     |          |
| Grade 1       |                     | 50,785         | 180                  | 175                 | Complied |
| Grade 2       |                     | 50,785         | 180                  | 175                 | Complied |
| Grade 3       |                     | 50,785         | 180                  | 175                 | Complied |
| Grades 4 - 6  | 54,000              |                |                      |                     |          |
| Grade 4       |                     | 54,220         | 180                  | 175                 | Complied |
| Grade 5       |                     | 54,220         | 180                  | 175                 | Complied |
| Grade 6       |                     | 54,220         | 180                  | 175                 | Complied |
| Grades 7 - 8  | 54,000              |                |                      |                     |          |
| Grade 7       |                     | 60,730         | 180                  | 175                 | Complied |
| Grade 8       |                     | 60,730         | 180                  | 175                 | Complied |
| Grades 9 - 12 | 64,800              |                |                      |                     |          |
| Grade 9       |                     | 65,399         | 180                  | -                   | Complied |
| Grade 10      |                     | 65,399         | 180                  | -                   | Complied |
| Grade 11      |                     | 65,399         | 180                  | -                   | Complied |
| Grade 12      |                     | 65,399         | 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, 2016**

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

|                                                     | <u>General<br/>Fund</u>     |
|-----------------------------------------------------|-----------------------------|
| FUND BALANCE                                        |                             |
| Balance, June 30, 2016, Unaudited Actuals           | \$ 78,918,452               |
| Increase in:                                        |                             |
| Accounts receivable                                 | 667,363                     |
| Decrease in:                                        |                             |
| Accounts payable                                    | <u>1,711,359</u>            |
| Balance, June 30, 2016, Audited Financial Statement | <u><u>\$ 81,297,174</u></u> |

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

|                                                                          | (Budget)<br>2017 <sup>1</sup> | 2016                 | 2015                  | 2014                 |
|--------------------------------------------------------------------------|-------------------------------|----------------------|-----------------------|----------------------|
| <b>GENERAL FUND</b>                                                      |                               |                      |                       |                      |
| Revenues                                                                 | \$ 530,980,727                | \$ 536,999,180       | \$ 446,818,275        | \$ 420,725,418       |
| Other sources and transfers in                                           | -                             | 200,000              | -                     | -                    |
| Expenditures                                                             | 535,261,300                   | 511,017,706          | 450,129,138           | 411,889,633          |
| Other uses and transfers out                                             | 261,304                       | 504,994              | 677,310               | 171,870              |
| Total Expenditures<br>and Other Uses                                     | 535,522,604                   | 511,522,700          | 450,806,448           | 412,061,503          |
| <b>INCREASE (DECREASE)<br/>IN FUND BALANCE</b>                           | <b>\$ (4,541,877)</b>         | <b>\$ 25,676,480</b> | <b>\$ (3,988,173)</b> | <b>\$ 8,663,915</b>  |
| <b>ENDING FUND BALANCE</b>                                               | <b>\$ 76,755,297</b>          | <b>\$ 81,297,174</b> | <b>\$ 55,620,694</b>  | <b>\$ 59,608,867</b> |
| <b>AVAILABLE RESERVES<sup>2</sup></b>                                    | <b>\$ 10,710,452</b>          | <b>\$ 12,622,523</b> | <b>\$ 44,003,220</b>  | <b>\$ 42,801,038</b> |
| <b>AVAILABLE RESERVES AS A<br/>PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b> | <b>2.0%</b>                   | <b>2.5%</b>          | <b>9.8%</b>           | <b>10.7%</b>         |
| <b>LONG-TERM OBLIGATIONS</b>                                             | <b>N/A</b>                    | <b>\$561,184,881</b> | <b>\$466,056,477</b>  | <b>\$472,671,227</b> |
| <b>K-12 AVERAGE DAILY<br/>ATTENDANCE AT P-2</b>                          | <b>51,220</b>                 | <b>51,404</b>        | <b>51,866</b>         | <b>51,788</b>        |

The General Fund balance has increased by \$21,688,307 over the past two years. The fiscal year 2016-2017 budget a decrease of \$4,541,877 (5.6 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 but anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by \$88,513,654 over the past two years.

Average daily attendance has decreased by 384 over the past two years. An additional decline of 184 ADA is anticipated during fiscal year 2016-2017.

<sup>1</sup> Budget 2017 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 payment of \$11,421,169 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2014.

See accompanying note to supplementary information.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2016**

|                                                | <b>Adult<br/>Education<br/>Fund</b> | <b>Child<br/>Development<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>Deferred<br/>Maintenance<br/>Fund</b> |
|------------------------------------------------|-------------------------------------|---------------------------------------|---------------------------|------------------------------------------|
| <b>ASSETS</b>                                  |                                     |                                       |                           |                                          |
| Deposits and investments                       | \$ 2,071,550                        | \$ 17,633                             | \$ 591,749                | \$ 934,307                               |
| Receivables                                    | 314,742                             | -                                     | 1,878,820                 | 1,177                                    |
| Stores inventories                             | -                                   | -                                     | 137,211                   | -                                        |
| <b>Total Assets</b>                            | <b>\$ 2,386,292</b>                 | <b>\$ 17,633</b>                      | <b>\$ 2,607,780</b>       | <b>\$ 935,484</b>                        |
| <b>LIABILITIES AND FUND BALANCES</b>           |                                     |                                       |                           |                                          |
| <b>Liabilities:</b>                            |                                     |                                       |                           |                                          |
| Accounts payable                               | \$ 71,176                           | \$ 17,633                             | \$ 273,617                | \$ 144,609                               |
| Due to other funds                             | -                                   | -                                     | 1,007,446                 | -                                        |
| <b>Total Liabilities</b>                       | <b>71,176</b>                       | <b>17,633</b>                         | <b>1,281,063</b>          | <b>144,609</b>                           |
| <b>Fund Balances:</b>                          |                                     |                                       |                           |                                          |
| Nonspendable                                   | -                                   | -                                     | 148,731                   | -                                        |
| Restricted                                     | 1,508,093                           | -                                     | 1,177,986                 | -                                        |
| Committed                                      | 807,023                             | -                                     | -                         | 790,875                                  |
| <b>Total Fund Balances</b>                     | <b>2,315,116</b>                    | <b>-</b>                              | <b>1,326,717</b>          | <b>790,875</b>                           |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 2,386,292</b>                 | <b>\$ 17,633</b>                      | <b>\$ 2,607,780</b>       | <b>\$ 935,484</b>                        |

See accompanying note to supplementary information.

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| <b>Capital<br/>Facilities<br/>Fund</b> | <b>Capital Project<br/>Fund for Blended<br/>Component<br/>Units</b> | <b>Debt Service<br/>Fund for Blended<br/>Component<br/>Units</b> | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |
|----------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|
| \$ 1,376,453                           | \$ 6,404,312                                                        | \$ 20,075,959                                                    | \$ 31,471,963                                     |
| 12,377                                 | -                                                                   | -                                                                | 2,207,116                                         |
| -                                      | -                                                                   | -                                                                | 137,211                                           |
| <u>\$ 1,388,830</u>                    | <u>\$ 6,404,312</u>                                                 | <u>\$ 20,075,959</u>                                             | <u>\$ 33,816,290</u>                              |
| <br>                                   |                                                                     |                                                                  |                                                   |
| \$ 1,368,598                           | \$ -                                                                | \$ -                                                             | \$ 1,875,633                                      |
| -                                      | -                                                                   | -                                                                | 1,007,446                                         |
| <u>1,368,598</u>                       | <u>-</u>                                                            | <u>-</u>                                                         | <u>2,883,079</u>                                  |
| <br>                                   |                                                                     |                                                                  |                                                   |
| -                                      | -                                                                   | -                                                                | 148,731                                           |
| 20,232                                 | 6,404,312                                                           | 20,075,959                                                       | 29,186,582                                        |
| -                                      | -                                                                   | -                                                                | 1,597,898                                         |
| <u>20,232</u>                          | <u>6,404,312</u>                                                    | <u>20,075,959</u>                                                | <u>30,933,211</u>                                 |
| <br>                                   |                                                                     |                                                                  |                                                   |
| <u>\$ 1,388,830</u>                    | <u>\$ 6,404,312</u>                                                 | <u>\$ 20,075,959</u>                                             | <u>\$ 33,816,290</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, 2016**

|                                                        | <b>Adult<br/>Education<br/>Fund</b> | <b>Child<br/>Development<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>Deferred<br/>Maintenance<br/>Fund</b> |
|--------------------------------------------------------|-------------------------------------|---------------------------------------|---------------------------|------------------------------------------|
| <b>REVENUES</b>                                        |                                     |                                       |                           |                                          |
| Federal sources                                        | \$ 836,888                          | \$ 34,765                             | \$ 14,065,045             | \$ -                                     |
| Other State sources                                    | 2,447,414                           | 41,156                                | 944,913                   | -                                        |
| Other local sources                                    | 47,691                              | -                                     | 4,629,780                 | 4,876                                    |
| <b>Total Revenues</b>                                  | <u>3,331,993</u>                    | <u>75,921</u>                         | <u>19,639,738</u>         | <u>4,876</u>                             |
| <b>EXPENDITURES</b>                                    |                                     |                                       |                           |                                          |
| Current                                                |                                     |                                       |                           |                                          |
| Instruction                                            | 1,088,495                           | 577,074                               | -                         | -                                        |
| Instruction-related activities:                        |                                     |                                       |                           |                                          |
| School site administration                             | 432,136                             | -                                     | -                         | -                                        |
| Pupil services:                                        |                                     |                                       |                           |                                          |
| Food services                                          | -                                   | -                                     | 18,961,628                | -                                        |
| Administration:                                        |                                     |                                       |                           |                                          |
| All other administration                               | 22,935                              | 3,841                                 | 682,957                   | -                                        |
| Plant services                                         | 41,675                              | -                                     | -                         | 1,700,176                                |
| Facility acquisition and construction                  | -                                   | -                                     | 59,682                    | -                                        |
| Other outgo                                            | -                                   | -                                     | -                         | -                                        |
| Debt service                                           |                                     |                                       |                           |                                          |
| Principal                                              | -                                   | -                                     | 29,841                    | -                                        |
| Interest and other                                     | -                                   | -                                     | 1,516                     | -                                        |
| <b>Total Expenditures</b>                              | <u>1,585,241</u>                    | <u>580,915</u>                        | <u>19,735,624</u>         | <u>1,700,176</u>                         |
| <b>Excess (Deficiency) of Revenues</b>                 |                                     |                                       |                           |                                          |
| <b>Over Expenditures</b>                               | <u>1,746,752</u>                    | <u>(504,994)</u>                      | <u>(95,886)</u>           | <u>(1,695,300)</u>                       |
| <b>Other Financing Sources (Uses)</b>                  |                                     |                                       |                           |                                          |
| Transfers in                                           | -                                   | 504,994                               | -                         | -                                        |
| Other sources - proceeds from<br>issuance of PFA bonds | -                                   | -                                     | -                         | -                                        |
| Other sources - capital lease acquisition              | -                                   | -                                     | 59,682                    | -                                        |
| Transfers out                                          | -                                   | -                                     | -                         | -                                        |
| Other uses - payment to refunded PFA<br>bonds agent    | -                                   | -                                     | -                         | -                                        |
| <b>Net Financing<br/>Sources</b>                       | <u>-</u>                            | <u>504,994</u>                        | <u>59,682</u>             | <u>-</u>                                 |
| <b>NET CHANGE IN FUND BALANCES</b>                     | <u>1,746,752</u>                    | <u>-</u>                              | <u>(36,204)</u>           | <u>(1,695,300)</u>                       |
| <b>Fund Balances - Beginning</b>                       | 568,364                             | -                                     | -                         | 2,486,175                                |
| <b>Prior Period Restatement</b>                        | -                                   | -                                     | 1,362,921                 | -                                        |
| <b>Fund Balances - Ending</b>                          | <u>\$ 2,315,116</u>                 | <u>\$ -</u>                           | <u>\$ 1,326,717</u>       | <u>\$ 790,875</u>                        |

See accompanying note to supplementary information.

| <b>Capital<br/>Facilities<br/>Fund</b> | <b>Capital Project<br/>Fund for Blended<br/>Component<br/>Units</b> | <b>Debt Service<br/>Fund for Blended<br/>Component<br/>Units</b> | <b>Total Non-Major<br/>Governmental<br/>Funds</b> |
|----------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|
| \$ -                                   | \$ -                                                                | \$ -                                                             | \$ 14,936,698                                     |
| -                                      | -                                                                   | -                                                                | 3,433,483                                         |
| 14,568,747                             | 10,854,202                                                          | 22,142,656                                                       | 52,247,952                                        |
| <u>14,568,747</u>                      | <u>10,854,202</u>                                                   | <u>22,142,656</u>                                                | <u>70,618,133</u>                                 |
| -                                      | -                                                                   | -                                                                | 1,665,569                                         |
| -                                      | -                                                                   | -                                                                | 432,136                                           |
| -                                      | -                                                                   | -                                                                | 18,961,628                                        |
| 1,438,437                              | -                                                                   | -                                                                | 2,148,170                                         |
| -                                      | -                                                                   | -                                                                | 1,741,851                                         |
| 13,188,361                             | -                                                                   | -                                                                | 13,248,043                                        |
| -                                      | -                                                                   | 9,601,797                                                        | 9,601,797                                         |
| -                                      | -                                                                   | 4,440,000                                                        | 4,469,841                                         |
| -                                      | 5,469,079                                                           | 4,609,954                                                        | 10,080,549                                        |
| <u>14,626,798</u>                      | <u>5,469,079</u>                                                    | <u>18,651,751</u>                                                | <u>62,349,584</u>                                 |
| <u>(58,051)</u>                        | <u>5,385,123</u>                                                    | <u>3,490,905</u>                                                 | <u>8,268,549</u>                                  |
| 245,000                                | -                                                                   | 2,961,060                                                        | 3,711,054                                         |
| -                                      | -                                                                   | 18,605,000                                                       | 18,605,000                                        |
| (2,367,881)                            | -                                                                   | (245,000)                                                        | 59,682                                            |
| -                                      | -                                                                   | (33,162,103)                                                     | (2,612,881)                                       |
| <u>-</u>                               | <u>-</u>                                                            | <u>(33,162,103)</u>                                              | <u>(33,162,103)</u>                               |
| (2,122,881)                            | -                                                                   | (11,841,043)                                                     | (13,399,248)                                      |
| (2,180,932)                            | 5,385,123                                                           | (8,350,138)                                                      | (5,130,699)                                       |
| 2,201,164                              | 1,019,189                                                           | 28,426,097                                                       | 34,700,989                                        |
| -                                      | -                                                                   | -                                                                | 1,362,921                                         |
| <u>\$ 20,232</u>                       | <u>\$ 6,404,312</u>                                                 | <u>\$ 20,075,959</u>                                             | <u>\$ 30,933,211</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, 2016

(Dollar amounts in thousands)

|                                                                   | Actual Results for the Years |                    |                  |                    |                  |                    |
|-------------------------------------------------------------------|------------------------------|--------------------|------------------|--------------------|------------------|--------------------|
|                                                                   | 2015-2016                    |                    | 2014-2015        |                    | 2013-2014        |                    |
|                                                                   | Amount                       | Percent of Revenue | Amount           | Percent of Revenue | Amount           | Percent of Revenue |
| <b>REVENUES</b>                                                   |                              |                    |                  |                    |                  |                    |
| Federal revenue                                                   | \$ 22,546                    | 4.2                | \$ 20,462        | 4.6                | \$ 22,305        | 5.3                |
| State and local revenue included in Local Control Funding Formula | 412,323                      | 76.8               | 362,705          | 81.2               | 325,288          | 77.8               |
| Other State revenue                                               | 99,311                       | 18.5               | 59,810           | 13.4               | 65,064           | 15.6               |
| Other local revenue                                               | 2,819                        | 0.5                | 3,744            | 0.8                | 5,629            | 1.3                |
| <b>Total Revenues</b>                                             | <b>536,999</b>               | <b>100.0</b>       | <b>446,721</b>   | <b>100.0</b>       | <b>418,286</b>   | <b>100.0</b>       |
| <b>EXPENDITURES</b>                                               |                              |                    |                  |                    |                  |                    |
| Salaries and Benefits                                             |                              |                    |                  |                    |                  |                    |
| Certificated salaries                                             | 274,218                      | 51.1               | 247,048          | 55.3               | 226,810          | 54.2               |
| Classified salaries                                               | 70,141                       | 13.0               | 62,182           | 13.9               | 50,896           | 12.2               |
| Employee benefits                                                 | 91,069                       | 17.0               | 77,857           | 17.4               | 72,853           | 17.4               |
| <b>Total Salaries and Benefits</b>                                | <b>435,428</b>               | <b>81.1</b>        | <b>387,087</b>   | <b>86.6</b>        | <b>350,559</b>   | <b>83.8</b>        |
| Books and supplies                                                | 16,890                       | 3.1                | 14,749           | 3.3                | 16,110           | 3.9                |
| Contracts and operating expenses                                  | 58,123                       | 10.8               | 48,131           | 10.8               | 44,694           | 10.7               |
| Capital outlay                                                    | 556                          | 0.1                | 631              | 0.1                | 920              | 0.2                |
| Other outgo                                                       | 21                           | 0.0                | (469)            | (0.1)              | (394)            | (0.1)              |
| <b>Total Expenditures</b>                                         | <b>511,018</b>               | <b>95.1</b>        | <b>450,129</b>   | <b>100.7</b>       | <b>411,889</b>   | <b>98.5</b>        |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>  | <b>25,981</b>                | <b>4.9</b>         | <b>(3,408)</b>   | <b>(0.7)</b>       | <b>6,397</b>     | <b>1.5</b>         |
| <b>OTHER FINANCING SOURCES (USES)</b>                             |                              |                    |                  |                    |                  |                    |
| Operating transfers in                                            | 200                          | 0.0                | -                | -                  | 2,439            | 0.6                |
| Other sources - capital lease                                     | -                            | -                  | 97               | -                  | -                | -                  |
| Operating transfers out                                           | (505)                        | (0.1)              | (677)            | (0.2)              | (172)            | -                  |
| <b>Total Other Financing Sources (Uses)</b>                       | <b>(305)</b>                 | <b>(0.1)</b>       | <b>(580)</b>     | <b>(0.2)</b>       | <b>2,267</b>     | <b>0.6</b>         |
| <b>CHANGE IN FUND BALANCE</b>                                     | <b>25,676</b>                | <b>4.8</b>         | <b>(3,988)</b>   | <b>(0.9)</b>       | <b>8,664</b>     | <b>2.1</b>         |
| <b>FUND BALANCE - BEGINNING</b>                                   | <b>55,621</b>                |                    | <b>59,609</b>    |                    | <b>50,945</b>    |                    |
| <b>FUND BALANCE - ENDING</b>                                      | <b>\$ 81,297</b>             |                    | <b>\$ 55,621</b> |                    | <b>\$ 59,609</b> |                    |

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, 2016**

(Dollar amounts in thousands)

|                                                                  | Actual Results for the Years |                    |                 |                    |                 |                    |
|------------------------------------------------------------------|------------------------------|--------------------|-----------------|--------------------|-----------------|--------------------|
|                                                                  | 2015-2016                    |                    | 2014-2015       |                    | 2013-2014       |                    |
|                                                                  | Amount                       | Percent of Revenue | Amount          | Percent of Revenue | Amount          | Percent of Revenue |
| <b>REVENUES</b>                                                  |                              |                    |                 |                    |                 |                    |
| Federal programs                                                 | \$ 14,065                    | 71.6               | \$ 13,395       | 72.0               | \$ 12,328       | 73.1               |
| State meal program                                               | 945                          | 4.8                | 969             | 5.2                | 861             | 5.1                |
| Food sales and other local                                       | 4,630                        | 23.6               | 4,242           | 22.8               | 3,675           | 21.8               |
| Total Revenues                                                   | 19,640                       | 100.0              | 18,606          | 100.0              | 16,864          | 100.0              |
| <b>EXPENDITURES</b>                                              |                              |                    |                 |                    |                 |                    |
| Salaries and employee benefits                                   | 9,214                        | 46.9               | 8,673           | 46.6               | 7,710           | 45.7               |
| Food, supplies, and services                                     | 9,705                        | 49.4               | 8,579           | 46.1               | 8,377           | 49.7               |
| Other                                                            | 683                          | 3.5                | 1,020           | 5.5                | 1,153           | 6.8                |
| Capital outlay                                                   | 134                          | 0.7                | 50              | 0.3                | -               | -                  |
| Total Expenditures                                               | 19,736                       | 100.5              | 18,322          | 98.5               | 17,240          | 102.2              |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> | (96)                         | <u>(0.5)</u>       | 284             | <u>1.5</u>         | (376)           | <u>(2.2)</u>       |
| <b>OTHER FINANCING SOURCES</b>                                   |                              |                    |                 |                    |                 |                    |
| Other sources - capital lease                                    | 60                           |                    | -               |                    | -               |                    |
| <b>INCREASE IN FUND BALANCE</b>                                  | (36)                         |                    | 284             |                    | (376)           |                    |
| <b>FUND BALANCE - BEGINNING</b>                                  | 1,363                        |                    | 1,079           |                    | 1,455           |                    |
| <b>FUND BALANCE - ENDING</b>                                     | <u>\$ 1,327</u>              |                    | <u>\$ 1,363</u> |                    | <u>\$ 1,079</u> |                    |

\* \* \* \* \*

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

|                                   | 2015-2016               |         | 2014-2015    |         | 2013-2014    |         |
|-----------------------------------|-------------------------|---------|--------------|---------|--------------|---------|
|                                   | Meals Served            | Percent | Meals Served | Percent | Meals Served | Percent |
|                                   | <b>TYPE 'A' LUNCHES</b> |         |              |         |              |         |
| Paid                              | 1,189,377               | 27.6    | 1,113,752    | 26.1    | 1,083,298    | 26.8    |
| Reduced price                     | 682,254                 | 15.8    | 648,041      | 15.2    | 628,674      | 15.5    |
| Free                              | 2,441,582               | 56.6    | 2,504,401    | 58.7    | 2,331,657    | 57.7    |
| Total Lunches                     | 4,313,213               | 100.0   | 4,266,194    | 100.0   | 4,043,629    | 100.0   |
| <b>BASIC BREAKFAST</b>            |                         |         |              |         |              |         |
| Paid                              | 950                     | 19.0    | 2,619        | 27.8    | 2,600        | 27.8    |
| Reduced price                     | 1,101                   | 21.9    | 1,793        | 19.0    | 1,547        | 16.5    |
| Free                              | 2,961                   | 59.1    | 5,009        | 53.2    | 5,212        | 55.7    |
| Total Basic Breakfast             | 5,012                   | 100.0   | 9,421        | 100.0   | 9,359        | 100.0   |
| <b>ESPECIALLY NEEDY BREAKFAST</b> |                         |         |              |         |              |         |
| Paid                              | 123,749                 | 11.5    | 110,963      | 10.0    | 112,371      | 10.0    |
| Reduced price                     | 162,198                 | 15.2    | 177,405      | 16.0    | 193,394      | 17.3    |
| Free                              | 786,012                 | 73.3    | 821,030      | 74.0    | 816,168      | 72.7    |
| Total Especially Needy Breakfast  | 1,071,959               | 100.0   | 1,109,398    | 100.0   | 1,121,933    | 100.0   |

See accompanying note to supplementary information.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

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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 the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option program that have been recorded in the current period as revenues that have not been expended in the current period. These unspent balances are reported as legally related ending balances within the General Fund. In addition, 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<br>Number | Amount               |
|----------------------------------------------------------------------------------------------------|----------------|----------------------|
| Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances: |                |                      |
| Qualified School Construction Bonds - Interest Subsidy                                             | NA             | \$ 38,247,227        |
| Medi-Cal Billing Option                                                                            | 93.778         | (764,436)            |
| Total Schedule of Expenditures of Federal Awards                                                   |                | <u>\$ 37,051,263</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, 2016

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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, 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, 2016, 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 15, 2016.

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

As discussed in Note 18 to the financial statements, in 2016, the District has elected to classify the Cafeteria Fund as a governmental fund in the current year as prescribed by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Our opinion is not modified with respect to the 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 15, 2016.

### **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.

VAUZNER, TRINE, RY & CO. LLP  
Rancho Cucamonga, California  
December 15, 2016



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

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

VAUZNIK, TRINE, RY + CO. LLP

Rancho Cucamonga, California  
December 15, 2016



## 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 *2015-2016 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, 2016.

### Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State 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 *2015-2016 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 Middle or Early College High Schools

As described in the accompanying schedule of findings and questioned costs, Corona-Norco Unified School District did not comply with requirements regarding *the Middle or Early College High Schools* as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001. 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 Middle or Early College High Schools***

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, 2016.

***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, 2016, 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<br/>Performed</u> |
|-------------------------------------------------------------------------------|---------------------------------|
| <b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>                    |                                 |
| Attendance                                                                    | Yes                             |
| Teacher Certification and Misassignments                                      | Yes                             |
| Kindergarten Continuance                                                      | Yes                             |
| Independent Study                                                             | Yes                             |
| 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                             |
| <b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND<br/>CHARTER SCHOOLS</b> |                                 |
| Educator Effectiveness                                                        | No, see below                   |
| California Clean Energy Jobs Act                                              | Yes                             |
| After School Education and Safety Program:                                    |                                 |
| General Requirements                                                          | Yes                             |
| After School                                                                  | Yes                             |
| Before School                                                                 | No, see below                   |

|                                                          | Procedures<br>Performed |
|----------------------------------------------------------|-------------------------|
| Proper Expenditure of Education Protection Account Funds | Yes                     |
| Unduplicated Local Control Funding Formula Pupil Counts  | Yes                     |
| Local Control Accountability Plan                        | Yes                     |
| Independent Study - Course Based                         | No, see below           |
| Immunizations                                            | Yes, see below          |

**CHARTER SCHOOLS**

|                                                                       |               |
|-----------------------------------------------------------------------|---------------|
| Attendance                                                            | No, see below |
| Mode of Instruction                                                   | No, see below |
| Non Classroom-Based Instruction/Independent Study for Charter Schools | 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                                 | No, see below |

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 did not offer an Early Retirement Incentive Program during the current year; 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 did not incur any expenditures for the Educator Effectiveness Program; therefore, we did not perform any procedures related to the Educator Effectiveness.

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 offer Course-Based Independent Study Program; therefore, we did not perform any procedures related to the Course-Based Independent Study Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

*VAUZNER, TRINIS. RAY + CO. LLP*

Rancho Cucamonga, California  
December 15, 2016

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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, 2016**

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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 200.516(a) of the Uniform Guidance? | <u>No</u>            |

Identification of major Federal programs:

| <u>CFDA Numbers</u>                          | <u>Name of Federal Program or Cluster</u>           |
|----------------------------------------------|-----------------------------------------------------|
| <u>84.367</u>                                | <u>Title II, Part A - Improving Teacher Quality</u> |
| <u>84.027, 84.027A, 84.173 &amp; 84.173A</u> | <u>Special Education (IDEA) Cluster</u>             |

|                                                                          |                     |
|--------------------------------------------------------------------------|---------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 1,111,538</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 Program</u>                      |
|                                                                                   | <u>Middle or Early College High Schools</u> |

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.

**CORONA-NORCO UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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None reported.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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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            |

**2016-001 40000**

### **Criteria or Specific Requirements**

In accordance to California *Education Code* Section 46146.5(b), a day of attendance for a pupil enrolled in an early college high school or middle college high school, who is a special part-time student enrolled in a community college under Article 1 (commencing with Section 48800) of Chapter 5 of Part 27, and who will receive academic credit upon satisfactory completion of enrolled courses, is 180 minutes of attendance.

### **Condition**

From the District's early college high school, three of 641 students enrolled did not meet the 180 minutes of attendance as required by California *Education Code* Section 46146.5(b).

### **Questioned Costs**

There were no questioned costs associated with the condition identified. The District's attendance reports were overstated by 1.58 ADA and 1.58 ADA for the Period 2 and Annual attendance reports, respectively, as a result of the condition identified. However, the District took immediate corrective actions and made amendments to the District's attendance reports remitted to the State.

### **Context**

Based on the initial sample of 40 students selected from the District's middle college high school, we identified three students that did not meet the required 180 minutes of attendance per day. Subsequently, we performed additional procedures, including the inquiry with the site administrator and the review of additional supporting documents, including a comprehensive listing of classes enrolled for each of the students and minutes offered by the high school. Our additional procedures performed resulted in no additional exceptions.

### **Effect**

As a result of the condition identified, the District was not in compliance with California *Education Code* Section 46146.5(b).

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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### **Cause**

It appears that the condition identified has materialized as a result of the District not ensuring that each student enrolled is sufficient scheduled for the minimum required minutes mandated by the State.

### **Recommendation**

The District should emphasize the importance of students needing to meet the minimum required minutes per day. The District should review students' schedules to ensure that each student is schedule for a minimum of 180 minutes per day and enrolled in college courses concurrently.

### **Corrective Action Plan**

The school site has been informed and the current student schedules were adjusted to meet the minimum of 180 minutes per day.

# CORONA-NORCO UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *State Awards Findings*

**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

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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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.

### **Current Status**

Implemented.



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, 2016, 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 15, 2016, on the government-wide financial statements of the District.

***ASSOCIATED STUDENT BODY (ASB)***

*Citrus Hills Intermediate School*

Observations

During our audit of the ASB internal controls, we noted the following:

1. Four of 21 receipts tested were not deposited in a timely manner. The days between the receipt date and the deposit date ranged from 11 to 13 days.
2. The auditor could not trace receipt numbers 193332-19338 back to the deposit of those receipts. The receipts were claimed to be pre-written and the cash was never actually collected. The amount in question is \$140.
3. One of nine disbursements tested was not pre-approved within the ASB minutes.
4. Two of three revenue potential forms tested did not document an explanation for the overage/shortage of actual profits compared to expected profits.
5. The site's only ticket roll could not be found. Therefore, the auditor could not verify the ending ticket number on the sites Blue ticket roll.

Recommendations

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure, including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely.

2. A carbon of the receipts issued by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in. The receipts issued to teachers and advisors from the bookkeeper should be totaled and reconciled to the current bank deposit. A system to mark the last receipt which corresponds to a deposit should be established in order to determine which receipts are related to the current bank deposit. The basic premise of a cash receipts system is that the receipts are written at the time the cash is collected and before the cash is actually collected.
3. The site should ensure that all club members, teachers and advisors do not obligate ASB funds until a purchase order is prepared and approved by the student body representative, advisor and site administrator. All required disbursement authorization forms and pre-approvals must be obtained before any expense is incurred. The site should also check that adequate funds are available before any ASB funds are obligated to ensure that deficit spending does not occur. These procedures should also be implemented for appropriate purchases made for the upcoming school year when school is not in session
4. An important internal control feature is the Revenue Potential Form. The analysis section is used to compare the potential income as calculated in the Potential Income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented and explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen. This will help the ASB or clubs determine if future fundraisers of this type should be planned or canceled based on their review.
5. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site as these tickets could be presented for admission rather than an individual paying for admission.

*Auburndale Intermediate School*

Observations

During our audit of the ASB internal controls, we noted the following:

1. During the testing of cash receipts, it was noted that three out of eleven deposits tested were not deposited in a timely manner. It was noted that deposits ranged from 14 to 37 days from the date of receipt.
2. During the testing of cash disbursements, it was noted that five of 15 disbursements tested did not have explicit receiving documentation.
3. During the testing over inventory procedures over PE Clothes, it was noted that the school site does not have sufficient perpetual inventory documentation. As a result, the student council is unable to perform a reconciliation between their perpetual inventory and physical count to identify unusual variances.

Recommendations

1. At a minimum, deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high cash activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure, including the maximum cash on hand that should be maintained at the site. The ultimate responsibility, however, will reside with the site bookkeeper to make the deposits timely. Supporting documentation that indicates that all items ordered were received should be evident. This could be accomplished using a packing slip or through a signature of the person who received the goods. This would mitigate the risk of items being paid for without actually receiving the items purchased.

2. It is recommended that the student council maintain a perpetual inventory over there PE inventory. Perpetual inventory documentation is essential to perform an analysis between the perpetual and physical count. An analysis of both counts will assist the student council in identifying if items have been misplaced or stolen.

*Santiago High School*

Observation

During testing of cash disbursements, it was noted that three of 19 disbursements were not approved prior to a commitment being made to vendor.

Recommendation

All disbursements should be approved prior to purchase by authorized personnel and the student council. Prior approvals are established to ensure that the items or services being purchased are allowable and that there exists sufficient funds for the purchase.

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

VAZQUEZ, TRINIS. RAY + CO. LLP

Rancho Cucamonga, California  
December 15, 2016