

**CORONA-NORCO
UNIFIED SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

CORONA-NORCO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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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, 2017, 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 *2016-2017 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, 2017, 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.

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 80, schedule of other postemployment benefits funding progress on page 81, schedule of the district's proportionate share of net pension liability on page 82, and the schedule of district contributions on page 83, 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 (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Corona-Norco Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corona-Norco Unified School District's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 6, 2017



This section of Corona-Norco Unified School District's (the District) 2016-2017 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information for the year ending June 30, 2016. 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

Jose W. Lalas, Ph.D.

Bill Newberry

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Bill Pollock

Mary Helen Ybarra

John "Mr. Z" Zickefoose



CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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.

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, 2017

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$147,808,936 for the fiscal year ended June 30, 2017. Of this amount, \$(379,698,754) 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	
	2017	2016
Assets		
Current and other assets	\$ 360,908,656	\$ 342,172,909
Capital assets	872,794,397	854,311,991
Total Assets	<u>1,233,703,053</u>	<u>1,196,484,900</u>
Deferred Outflows of Resources	<u>135,882,196</u>	<u>111,710,540</u>
Liabilities		
Current liabilities	60,210,843	30,215,033
Long-term obligations	607,230,448	561,184,881
Aggregate pension liability	540,555,244	434,884,767
Total Liabilities	<u>1,207,996,535</u>	<u>1,026,284,681</u>
Deferred Inflows of Resources	<u>13,779,778</u>	<u>83,131,488</u>
Net Position		
Net investment in capital assets	432,560,862	482,543,787
Restricted	94,946,828	65,425,001
Unrestricted (deficit)	<u>(379,698,754)</u>	<u>(349,189,517)</u>
Total Net Position	<u>\$ 147,808,936</u>	<u>\$ 198,779,271</u>

The \$(379,698,754) 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, 2017

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	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 6,825,531	\$ 5,406,102
Operating grants and contributions	120,785,477	103,867,140
General revenues:		
Federal and State aid not restricted	342,832,226	344,685,989
Property taxes	147,024,194	134,522,316
Other general revenues	22,534,035	46,675,234
Total Revenues	640,001,463	635,156,781
Expenses		
Instruction-related	478,353,454	467,959,218
Pupil services	71,730,385	68,137,626
Administration	35,532,813	21,957,686
Plant services	64,015,532	59,251,931
All other activities	41,339,614	44,935,564
Total Expenses	690,971,798	662,242,025
Change in Net Position	\$ (50,970,335)	\$ (27,085,244)

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$690,971,798. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$147,024,194 because the cost was paid by other governments and organizations who subsidized certain programs with charges for services, grants, and contributions \$(127,611,008). We paid for the remaining "public benefit" portion of our governmental activities with \$365,366,261 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	
	2017	2016	2017	2016
Instruction	\$ 411,428,819	\$ 403,970,641	\$ 347,703,641	\$ 347,997,374
Instruction-related activities	66,924,635	63,988,577	55,804,936	54,109,772
Home-to-school transportation	13,401,421	13,221,489	13,124,641	12,855,626
Food services	18,989,813	19,336,571	(240,076)	1,649,381
Other pupil services	39,339,151	35,579,566	28,634,814	26,388,275
Administration	35,532,813	21,957,686	32,945,818	19,983,995
Plant services	64,015,532	59,251,931	60,843,828	53,225,193
All other activities	41,339,614	44,935,564	24,543,188	36,759,167
Total	\$ 690,971,798	\$ 662,242,025	\$ 563,360,790	\$ 552,968,783

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

THE DISTRICT'S FUNDS

As the District completed this year, governmental funds reported a combined fund balance of \$215,721,883, which is a decrease of \$8,888,764 from last year (Table 4).

Table 4

	Fund Balance			
	June 30, 2016	Revenues	Expenditures	June 30, 2017
General Fund	\$ 81,297,174	\$ 555,490,240	\$ 556,397,419	\$ 80,389,995
Building Fund	78,360,791	1,192,987	39,424,321	40,129,457
Capital Facilities Fund	20,232	27,360,004	26,482,156	898,080
Bond Interest and Redemption Fund	34,019,471	145,222,810	107,099,253	72,143,028
Adult Education Fund	2,315,116	2,526,295	2,836,540	2,004,871
Child Development Fund	-	457,284	457,284	-
Cafeteria Fund	1,326,717	19,938,220	19,604,178	1,660,759
Deferred Maintenance Fund	790,875	4,391	795,266	-
Capital Project Fund for Blended Component Units	6,404,312	1,458,288	5,051,867	2,810,733
Debt Service Fund for Blended Component Units	20,075,959	13,520,161	17,911,160	15,684,960
Total	\$ 224,610,647	\$ 767,170,680	\$ 776,059,444	\$ 215,721,883

The primary reasons for these changes are the following:

Our General Fund is our principal operating fund. The fund balance in the General Fund decreased by \$907,179 to \$80,389,995. 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 Building Fund, Capital Facilities Fund and the Capital Project Fund for Blended Component Units revenues and expenditures were due to school facility fees received and funds expended on new construction and modernization of certain facilities in the district. Specifically funds were expended for the site purchase of future Rondo Elementary School, construction of the conversion of Todd Elementary to a K-8 facility, the addition of 4 permanent relocatable buildings at Ramirez Intermediate, Corona High School gym upgrades, Santiago High School bleacher upgrades, installation of new synthetic turfs at Centennial High and Norco High Schools, the modernization of Norco High School Career Tech buildings and fencing at various sites and design/construction services at various sites throughout the district. The District also is in process of modernizing Multi-purpose buildings, Libraries, Administration offices and Kindergarten facilities at Adams, Garretson, Lincoln and Norco Elementary school sites. In addition, Phase I of the new Roosevelt HS Stem Academy commenced as well as a new running track at Chavez Academy. Security cameras, fencing and Information Technology was installed at several sites as part of the Measure GG program.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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 13, 2017. (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 80.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$872,794,397 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 increase (including additions, deductions, and depreciation) of \$18,482,406 or 2.2 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2017	2016
Land	\$ 86,028,059	\$ 86,028,059
Construction in progress	70,592,483	22,745,052
Buildings and improvements	699,552,092	728,721,312
Furniture and equipment	16,621,763	16,817,568
Total	\$ 872,794,397	\$ 854,311,991

Construction in progress includes increases due to the commencement of modernization and construction projects District-wide.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Long-Term Obligations

At the end of this year, the District had \$607,230,448 in long-term obligations versus \$561,184,881 last year, an increase of 8.2 percent. The increase is primarily attributed to the issuance of new general obligation bonds, increase in capital lease, and increase in other postemployment benefits.

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds (net of unamortized premium)	\$ 461,729,465	\$ 429,636,576
Certificates of participation (net of unamortized premium)	24,997,841	26,252,127
Public Financing Authority bonds	63,840,000	66,360,000
Capital leases	9,285,376	207,279
Property and liability	1,038,508	-
Claims liability	16,871,000	15,516,000
Supplemental early retirement plan (SERP)	9,221,831	2,646,418
Other postemployment benefits (OPEB)	15,714,327	12,741,376
Compensated absences	4,532,100	7,825,105
Total	\$ 607,230,448	\$ 561,184,881

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 \$329,303,425 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 \$540,555,244 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, 2017

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2016-2017 ARE NOTED BELOW:

- The current cohort graduation rate of 97.4% was higher than Riverside County and the State cohort graduations rates.
- The current cohort dropout rate of 2.6% was lower than Riverside County and the State cohort graduation rates.
- The number of Career Technical Education Industry Sectors grew from 12 to 14 in 2016.
- Average attendance rate is 95.47 percent.
- Suspension (2.9%) and expulsion (0.13 %) 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.
- 52.25 percent of CNUSD's seniors completed their A-G course requirements.
- 63.1 percent of CNUSD's English Learners made significant progress in learning English.
- 11.0% of CNUSD's English Learners were reclassified as fluent English proficient.
- CNUSD's Advanced Placement pass rate is currently 54.7% which is up 2.8% from the 2015-2016 school year. The total number of tests administered was 7,339. The total number of students who took at least one AP was 3,668.
- CNUSD had 752 AP Scholars in 2015-2016. These are students who took and passed at least 3 AP tests.
- CNUSD's results for the SBAC ELA were significantly higher than the State scores and were the second highest relative to the 15 largest school districts across the state. The SBAC Math results grew over 2% in students achieving "Standard Met" and/or "Standard Exceeded." CNUSD outperformed in this area relative to the State scores.
- CNUSD had the honor of receiving Gold ribbon Awards for 10 secondary schools – Citrus Hills Intermediate, Corona Fundamental Intermediate School, Ramirez Intermediate School, El Cerrito Middle School, Raney Intermediate School, Norco Intermediate School, River Heights Intermediate School, Corona High School, and JFK Middle College High School.
- Corona Fundamental Intermediate School and Raney Intermediate School received Title I Achieving Awards.

The Building Fund, Capital Facilities Fund and the Capital Project Fund for Blended Component Units revenues and expenditures were due to school facility fees received and funds expended on new construction and modernization of certain facilities in the district. Specifically funds were expended for the site purchase of future Rondo Elementary School, construction of the conversion of Todd Elementary to a K-8 facility, the addition of 4 permanent relocatable buildings at Ramirez Intermediate, Corona High School gym upgrades, Santiago High School bleacher upgrades, installation of new synthetic turfs at Centennial High and Norco High Schools, the modernization of Norco High School Career Tech buildings and fencing at various sites and design/construction services at various sites throughout the district. The District also is in process of modernizing Multi-purpose buildings, Libraries, Administration offices and Kindergarten facilities at Adams, Garretson, Lincoln and Norco Elementary school sites. In addition, Phase I of the new Roosevelt HS Stem Academy commenced as well as a new running track at Chavez Academy. Security cameras, fencing and Information Technology was installed at several sites as part of the Measure GG program.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2017-2018 year, the District Board and management used the following criteria:

The key assumptions in our forecast are the following:

- Revenue increase based on new Local Control Funding Formula (LCFF) model.
- Revenue cost of living adjustment of 1.56 percent.
- Gap funding projected at 43.97 percent.
- Unduplicated pupil count projected at 46.67 percent.
- ADA decline of 150 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 274,047,107
Receivables	18,762,487
Long-term receivables	67,820,000
Stores inventories	279,062
Capital assets	
Land and construction in progress	156,620,542
Other capital assets	1,168,072,590
Less: Accumulated depreciation	(451,898,735)
Total Capital Assets	<u>872,794,397</u>
Total Assets	<u>1,233,703,053</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	10,831,951
Deferred outflows of resources related to pensions	125,050,245
Total Deferred Outflows of Resources	<u>135,882,196</u>
LIABILITIES	
Accounts payable	48,681,933
Accrued interest payable	6,793,958
Unearned revenue	4,734,952
Long-term obligations:	
Current portion of long-term obligations other than pensions	31,404,308
Noncurrent portion of long-term obligations other than pensions	575,826,140
Total Long-Term Liabilities	<u>607,230,448</u>
Aggregate net pension liability	<u>540,555,244</u>
Total Liabilities	<u>1,207,996,535</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>13,779,778</u>
NET POSITION	
Net investment in capital assets	432,560,862
Restricted for:	
Debt service	81,034,030
Capital projects	898,080
Educational programs	3,242,016
Other activities	9,772,702
Unrestricted	(379,698,754)
Total Net Position	<u><u>\$ 147,808,936</u></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, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 411,428,819	\$ -	\$ 63,725,178	\$ (347,703,641)
Instruction-related activities:				
Supervision of instruction	21,009,488	-	8,466,610	(12,542,878)
Instructional library, media, and technology	2,723,305	-	20,073	(2,703,232)
School site administration	43,191,842	-	2,633,016	(40,558,826)
Pupil services:				
Home-to-school transportation	13,401,421	-	276,780	(13,124,641)
Food services	18,989,813	4,700,381	14,529,508	240,076
All other pupil services	39,339,151	-	10,704,337	(28,634,814)
Administration:				
Data processing	5,373,874	-	93,531	(5,280,343)
All other administration	30,158,939	278,738	2,214,726	(27,665,475)
Plant services	64,015,532	-	3,171,704	(60,843,828)
Ancillary services	3,780,715	-	163,207	(3,617,508)
Enterprise services	5,781	-	-	(5,781)
Interest on long-term obligations	26,174,502	-	-	(26,174,502)
Other outgo	11,378,616	1,846,412	14,786,807	5,254,603
Total Governmental Activities	\$ 690,971,798	\$ 6,825,531	\$ 120,785,477	(563,360,790)
General revenues and subventions:				
				110,914,100
				31,419,042
				4,691,052
				342,832,226
				4,504,036
				18,029,999
			Subtotal, General Revenues	512,390,455
			Change in Net Position	(50,970,335)
			Net Position - Beginning	198,779,271
			Net Position - Ending	\$ 147,808,936

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 97,534,150	\$ 47,925,187	\$ 5,442,359
Receivables	16,306,006	165,970	96,304
Due from other funds	2,728,057	-	4,000,000
Stores inventories	126,416	-	-
Total Assets	\$ 116,694,629	\$ 48,091,157	\$ 9,538,663
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 31,825,616	\$ 7,961,700	\$ 8,640,583
Due to other funds	-	-	-
Unearned revenue	4,479,018	-	-
Total Liabilities	36,304,634	7,961,700	8,640,583
Fund Balances:			
Nonspendable	331,416	-	-
Restricted	3,242,016	40,129,457	898,080
Committed	-	-	-
Assigned	65,716,100	-	-
Unassigned	11,100,463	-	-
Total Fund Balances	80,389,995	40,129,457	898,080
Total Liabilities and Fund Balances	\$ 116,694,629	\$ 48,091,157	\$ 9,538,663

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 72,143,028	\$ 27,106,796	\$ 250,151,520
-	2,138,966	18,707,246
-	-	6,728,057
-	152,646	279,062
<u>\$ 72,143,028</u>	<u>\$ 29,398,408</u>	<u>\$ 275,865,885</u>

\$ -	\$ 253,094	\$ 48,680,993
-	6,728,057	6,728,057
-	255,934	4,734,952
-	7,237,085	60,144,002

-	163,566	494,982
72,143,028	21,189,507	137,602,088
-	808,250	808,250
-	-	65,716,100
-	-	11,100,463
<u>72,143,028</u>	<u>22,161,323</u>	<u>215,721,883</u>

<u>\$ 72,143,028</u>	<u>\$ 29,398,408</u>	<u>\$ 275,865,885</u>
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CORONA-NORCO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Fund Balance - Governmental Funds	\$ 215,721,883
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
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:	\$ 1,324,693,132
Accumulated depreciation is:	<u>(451,898,735)</u>
Net Capital Assets	872,794,397
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 \$1,645,000 were received, leaving a balance of \$67,820,000.	67,820,000
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, 2017.	10,831,951
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.	(6,793,958)
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.	7,078,888
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:	
Pension contributions subsequent to measurement date	44,234,728
Net change in proportionate share of net pension liability	25,374,612
Difference between projected and actual earnings on pension plan investments	50,922,780
Differences between expected and actual experience in the measurement of the total pension liability	<u>4,518,125</u>
Total Deferred Outflows of Resources Related to Pensions	125,050,245

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, 2017**

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:

Differences between expected and actual experience in the measurement of the total pension liability	\$ (10,623,673)	
Changes in assumptions	<u>(3,156,105)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (13,779,778.00)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (540,555,244)

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	(361,303,602)
Premium on issuance of bonds	(34,578,857)
Certificates of participation	(24,390,000)
Premium on issuance of certificates	(607,841)
Corona-Norco Unified School District Public Financing Authority bonds	(63,840,000)
Capital lease	(9,285,376)
Property and liability	(1,038,508)
Supplemental early retirement plan (SERP)	(9,221,831)
Other postemployment benefits (OPEB)	(15,714,327)
Compensated absences (vacation)	(4,532,100)

In addition, the District has issued "capital appreciation" bonds. The accretion of interest on those bonds to date is: (65,847,006)

Total Long-Term Obligations		<u>(590,359,448)</u>
Total Net Position - Governmental Activities		<u>\$ 147,808,936</u>

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, 2017**

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 431,395,137	\$ -	\$ -
Federal sources	21,797,710	-	-
Other State sources	85,287,599	-	-
Other local sources	7,333,766	1,192,987	23,360,004
Total Revenues	545,814,212	1,192,987	23,360,004
EXPENDITURES			
Current			
Instruction	361,569,697	-	-
Instruction-related activities:			
Supervision of instruction	19,397,328	-	-
Instructional library, media, and technology	2,664,707	-	-
School site administration	40,150,361	-	-
Pupil services:			
Home-to-school transportation	12,651,210	-	-
Food services	17,206	-	-
All other pupil services	37,485,306	-	-
Administration:			
Data processing	5,171,494	-	-
All other administration	18,407,950	-	2,403,604
Plant services	52,465,113	-	-
Facility acquisition and construction	1,509,117	39,424,321	21,711,524
Ancillary services	3,660,931	-	-
Other outgo	267,326	-	-
Debt service			
Principal	568,090	-	-
Interest and other	40,216	-	-
Total Expenditures	556,026,052	39,424,321	24,115,128
Excess (Deficiency) of Revenues Over Expenditures	(10,211,840)	(38,231,334)	(755,124)
Other Financing Sources (Uses)			
Transfers in	-	-	4,000,000
Other sources - proceeds from issuance of general obligation bonds	-	-	-
Other sources - premium on issuance of general obligation bonds	-	-	-
Other sources - capital lease	9,676,028	-	-
Transfers out	(371,367)	-	(2,367,028)
Other uses - payment to refunded bonds escrow agent	-	-	-
Net Financing Sources (Uses)	9,304,661	-	1,632,972
NET CHANGE IN FUND BALANCES	(907,179)	(38,231,334)	877,848
Fund Balances - Beginning	81,297,174	78,360,791	20,232
Fund Balances - Ending	\$ 80,389,995	\$ 40,129,457	\$ 898,080

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 431,395,137
766,081	14,929,794	37,493,585
235,711	2,673,898	88,197,208
31,338,387	17,562,552	80,787,696
<u>32,340,179</u>	<u>35,166,244</u>	<u>637,873,626</u>
-	2,239,409	363,809,106
-	-	19,397,328
-	-	2,664,707
-	916,943	41,067,304
-	-	12,651,210
-	18,877,876	18,895,082
-	-	37,485,306
-	-	5,171,494
-	763,667	21,575,221
-	865,532	53,330,645
-	-	62,644,962
-	-	3,660,931
-	11,111,290	11,378,616
16,460,000	3,754,841	20,782,931
13,105,967	4,126,737	17,272,920
<u>29,565,967</u>	<u>42,656,295</u>	<u>691,787,763</u>
<u>2,774,212</u>	<u>(7,490,051)</u>	<u>(53,914,137)</u>
-	2,738,395	6,738,395
101,175,000	-	101,175,000
11,707,631	-	11,707,631
-	-	9,676,028
-	(4,000,000)	(6,738,395)
<u>(77,533,286)</u>	<u>-</u>	<u>(77,533,286)</u>
<u>35,349,345</u>	<u>(1,261,605)</u>	<u>45,025,373</u>
<u>38,123,557</u>	<u>(8,751,656)</u>	<u>(8,888,764)</u>
<u>34,019,471</u>	<u>30,912,979</u>	<u>224,610,647</u>
<u>\$ 72,143,028</u>	<u>\$ 22,161,323</u>	<u>\$ 215,721,883</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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$ (8,888,764)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation expense in the period.	
Capital outlays	\$ 53,842,524
Depreciation expense	<u>(35,360,118)</u>
Net Expense Adjustment	18,482,406
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.	
	(9,676,028)
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 less than the amounts earned by \$6,575,413. Vacation earned was less than the amounts used by \$3,293,005.	
	(3,282,408)
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.	
	(18,836,196)
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.	
	(1,645,000)
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.	
	(2,972,951)
The claims activity for property liability are reported in the governmental funds (General Fund) as expenditures. In the Statement of Net Position, the property liabilities incurred but not claimed are reported as long-term obligations.	
	(1,038,508)

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, 2017

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 2016 General Obligation Refunding Bonds, Series A	\$ (70,030,000)	
Proceeds from sale of 2016 General Obligation Refunding Bonds, Series B (2019 Crossover)	(31,145,000)	\$ (101,175,000)

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	(11,707,631)	
Deferred charges on refunding	7,282,917	
Combined adjustment		(4,424,714)

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	86,195,000	
Certificates of participation	1,205,000	
Corona-Norco Unified School District Public Financing Authority bonds	2,520,000	
Capital lease	597,931	
Combined adjustment		90,517,931

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	2,468,000	
Amortization of deferred charges on refunding	(593,832)	
Combined adjustment		1,874,168

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 \$2,436,409, and second, \$7,823,972 of additional interest was accreted on the District's "capital appreciation" general obligation bonds.

(10,260,381)

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.

355,110

Change in Net Position of Governmental Activities \$ (50,970,335)

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 23,895,587
Receivables	55,241
Total Assets	<u>23,950,828</u>
LIABILITIES	
Current Liabilities	
Accounts payable	940
Claim liabilities	2,230,677
Total Current Liabilities	<u>2,231,617</u>
Noncurrent Liabilities	
Noncurrent portion of claims liabilities	<u>14,640,323</u>
NET POSITION	
Restricted	<u>\$ 7,078,888</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, 2017**

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	\$ 4,360,286
OPERATING EXPENSES	
Payroll costs	317,736
Supplies and materials	1,820
Other operating cost	3,858,053
Total Operating Expenses	4,177,609
Operating Income	182,677
NONOPERATING REVENUES	
Interest income	172,433
Change in Net Position	355,110
Total Net Position - Beginning	6,723,778
Total Net Position - Ending	\$ 7,078,888

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, 2017**

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessment made to other funds	\$ 4,456,989
Cash payments to employees for services	(317,736)
Cash payments for goods and services	(2,670)
Cash payments for insurance premiums	(2,503,053)
Net Cash Provided for Operating Activities	<u>1,633,530</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>172,433</u>
Net Increase in Cash and Cash Equivalents	1,805,963
Cash and Cash Equivalents - Beginning	<u>22,089,624</u>
Cash and Cash Equivalents - Ending	<u>\$ 23,895,587</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FOR OPERATING ACTIVITIES	
Operating income	\$ 182,677
Adjustments to reconcile operating income to net cash provided for operating activities:	
Changes in assets and liabilities:	
Receivables	96,703
Accrued liabilities	(850)
Claims liability	<u>1,355,000</u>
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u>\$ 1,633,530</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, 2017**

	Agency Funds
	<u> </u>
ASSETS	
Deposits and investments	\$ 26,653,215
Receivables	6,600,584
Stores inventories	87,207
Total Assets	<u><u>\$ 33,341,006</u></u>
 LIABILITIES	
Accounts payable	\$ 5,028,057
Due to student groups	2,566,882
Due to other bondholders	25,746,067
Total Liabilities	<u><u>\$ 33,341,006</u></u>

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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.

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

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

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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).

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

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 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, 2017

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, 2017

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, 2017

Investments

Investments held at June 30, 2017, 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, 2017

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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, 2017, 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$94,946,828 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

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 District has implemented the provisions of this Statement as of June 30, 2017.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 District has implemented the provisions of this Statement as of June 30, 2017, 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.

New Accounting Pronouncements

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.

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

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JUNE 30, 2017

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 November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 274,047,107
Fiduciary funds	26,653,215
Total Deposits and Investments	<u>\$ 300,700,322</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 7,061,720
Cash in revolving	215,920
Investments	293,422,682
Total Deposits and Investments	<u>\$ 300,700,322</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, 2017

General Authorizations

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

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Authorized Under Debt Agreements

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 Amount	Maturity Date/ Average Maturity in Days
Riverside County Treasury Investment Pool	\$ 223,477,990	412
First American Treasury Obligation Money Market Mutual Funds	25,615,126	26
Federal Home Loan Mortgage Corporation Unsecured Senior Notes	1,152,182	7/28/2017
Federal Home Loan Banks Discount Notes	1,908,371	8/30/2017
Federal Home Loan Banks Unsecured Senior Notes	445,117	12/11/2020
Federal Home Loan Banks Unsecured Senior Notes	968,217	3/11/2022
Federal Home Loan Banks Unsecured Senior Notes	205,914	1/11/2019
Federal Home Loan Banks Unsecured Senior Notes	418,752	2/18/2021
Federal Home Loan Mortgage Corporation Unsecured Senior Notes	2,053,505	3/7/2018
Federal National Mortgage Association Unsecured Senior Notes	1,687,549	5/21/2018
Federal National Mortgage Association Unsecured Senior Notes	421,787	2/5/2020
Federal National Mortgage Association Unsecured Senior Notes	419,199	3/13/2019
Toyota Motor Credit Corporation Commercial Paper	207,059	8/31/2017
U.S. Treasury Notes	363,233	1/31/2019
U.S. Treasury Notes	353,109	1/31/2018
U.S. Treasury Notes	352,757	7/31/2017
U.S. Treasury Notes	358,636	7/31/2018
U.S. Treasury Notes	33,014,179	7/31/2019
Total	<u>\$ 293,422,682</u>	

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, other than First American Treasury Obligation Money Market Mutual Funds and Toyota Motor Credit Commercial Paper, which has been rated Aaa-mf and P-1, respectively.

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, 2017, the District's bank balance of \$8,471,346 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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, 2017:

Investment Type	Reported Amount	Fair Value Measurements Using		Uncategorized
		Level 1 Inputs	Level 2 Inputs	
U.S. Agencies Securities	\$ 9,680,593	\$ -	\$ 9,680,593	\$ -
U.S. Treasury Notes	34,441,914	34,441,914	-	-
First American Treasury Obligation Money Market Mutual Funds	25,615,126	-	25,615,126	-
Toyota Motor Credit Commercial Paper	207,059	-	207,059	-
Riverside County Treasury Investment Pool	223,477,990	-	-	223,477,990
Total	\$ 293,422,682	\$ 34,441,914	\$ 35,502,778	\$ 223,477,990

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Federal Government							
Categorical aid	\$ 9,753,492	\$ -	\$ -	\$ 1,998,463	\$ -	\$ 11,751,955	\$ -
State Government							
Categorical aid	445,815	-	-	118,991	-	564,806	-
Lottery	2,833,630	-	-	-	-	2,833,630	-
Special education	843,906	-	-	-	-	843,906	-
Local Government							
Interest	238,076	139,920	3,843	1,048	55,241	438,128	-
Orange County Department of Education	279,392	-	-	-	-	279,392	-
Other Local Sources	1,911,695	26,050	92,461	20,464	-	2,050,670	6,600,584
Total	\$ 16,306,006	\$ 165,970	\$ 96,304	\$ 2,138,966	\$ 55,241	\$ 18,762,487	\$ 6,600,584

NOTE 5 - LONG-TERM RECEIVABLES

The \$67,820,000 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 86,028,059	\$ -	\$ -	\$ 86,028,059
Construction in process	22,745,052	49,335,454	1,488,023	70,592,483
Total Capital Assets Not Being Depreciated	108,773,111	49,335,454	1,488,023	156,620,542
Capital Assets Being Depreciated				
Land improvements	77,444,743	56,768	-	77,501,511
Buildings and improvements	1,040,041,564	4,677,363	-	1,044,718,927
Furniture and equipment	44,591,190	1,260,962	-	45,852,152
Total Capital Assets Being Depreciated	1,162,077,497	5,995,093	-	1,168,072,590
Less Accumulated Depreciation				
Land improvements	41,639,543	3,456,109	-	45,095,652
Buildings and improvements	347,125,452	30,447,242	-	377,572,694
Furniture and equipment	27,773,622	1,456,767	-	29,230,389
Total Accumulated Depreciation	416,538,617	35,360,118	-	451,898,735
Governmental Activities Capital Assets, Net	<u>\$ 854,311,991</u>	<u>\$ 19,970,429</u>	<u>\$ 1,488,023</u>	<u>\$ 872,794,397</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
Instruction	\$ 30,746,556
Supervision of instruction	777,499
School site administration	636,135
Home-to-school transportation	742,158
Food services	19,251
All other pupil services	176,704
Data processing	141,363
All other general administration	706,817
Plant services	<u>1,413,635</u>
Total Depreciation Expenses	<u><u>\$ 35,360,118</u></u>

NOTE 7 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2017, between major governmental funds, non-major governmental funds, and non-major enterprise funds are as follows:

<u>Due To</u>	<u>Due From Non-Major Governmental Funds</u>
General Fund	\$ 2,728,057
Capital Facilities Fund	<u>4,000,000</u>
Total	<u><u>\$ 6,728,057</u></u>

The balance of \$2,728,057 is due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from salaries, benefits, and other operating expenditure reimbursement.

The balance of \$4,000,000 is due to the to the Capital Facilities Fund from the Capital Projects Non-Major Governmental Fund for Blended Component Units for reimbursement of qualifying capital outlay costs.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Operating Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfer To	Transfer From			Total Governmental Funds
	General Fund	Capital Facilities Fund	Non-Major Governmental Funds	
Capital Facilities Fund	\$ -	\$ -	\$ 4,000,000	\$ 4,000,000
Non-Major Governmental Funds	371,367	2,367,028	-	2,738,395
Total	\$ 371,367	\$ 2,367,028	\$ 4,000,000	\$ 6,738,395

The General Fund transferred to the Child Development Non-Major Governmental Fund for an operating contribution. \$ 371,367

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. 2,367,028

The Capital Projects Non-Major Governmental Fund for Blended Component Units transferred to the Capital Facilities Fund for qualifying capital outlay costs. 4,000,000
\$ 6,738,395

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Salaries and benefits	\$ 9,218,843	\$ -	\$ -	\$ 191,925	\$ -	\$ 9,410,768	\$ -
LCFF apportionment	7,935,105	-	-	-	-	7,935,105	-
Supplies	9,097,994	310,234	115,888	7,230	-	9,531,346	-
Services	5,233,186	142,000	538,303	17,715	940	5,932,144	-
Capital outlay	39,929	7,485,506	7,970,488	7,759	-	15,503,682	-
Other vendor payables	300,559	23,960	15,904	28,465	-	368,888	5,028,057
Total	\$ 31,825,616	\$ 7,961,700	\$ 8,640,583	\$ 253,094	\$ 940	\$ 48,681,933	\$ 5,028,057

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 256,899	\$ -	\$ 256,899
State categorical aid	4,222,119	-	4,222,119
Other local	-	255,934	255,934
Total	<u>\$ 4,479,018</u>	<u>\$ 255,934</u>	<u>\$ 4,734,952</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	\$ 404,346,636	\$ 108,998,972	\$ 86,195,000	\$ 427,150,608	\$ 21,065,000
Premium on issuance	25,289,940	11,707,631	2,418,714	34,578,857	-
2011 Refunding Certificates of Participation, Series A	25,595,000	-	1,205,000	24,390,000	1,245,000
Premium on issuance	657,127	-	49,286	607,841	-
Corona-Norco Unified School District Public Financing Authority Bonds	66,360,000	-	2,520,000	63,840,000	2,615,000
Capital leases	207,279	9,676,028	597,931	9,285,376	262,794
Property and liability	-	1,726,481	687,973	1,038,508	687,973
Claims liability	15,516,000	3,585,677	2,230,677	16,871,000	2,230,677
Supplemental early retirement plan (SERP)	2,646,418	9,873,277	3,297,864	9,221,831	3,297,864
Other postemployment benefits (OPEB)	12,741,376	5,014,286	2,041,335	15,714,327	-
Accumulated vacation - net	7,825,105	-	3,293,005	4,532,100	-
	<u>\$ 561,184,881</u>	<u>\$ 150,582,352</u>	<u>\$ 104,536,785</u>	<u>\$ 607,230,448</u>	<u>\$ 31,404,308</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.
- Payments for property and liability are made in the General Fund.
- Claims liability is paid from the Internal Service Fund.
- Payments for the Supplemental Early Retirement Plan and other postemployment benefits are made in the General Fund.
- Payments for accumulated vacations are typically liquidated in the General Fund, other Non-Major Governmental Funds, and the Food Service Enterprise Fund.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	\$ 14,068,453	\$ -	\$ 828,823	\$ 1,595,000	\$ 13,302,276
12/1/01	2026	3.00-5.72%	23,000,139	24,580,072	-	1,337,965	2,195,000	23,723,037
12/12/02	2027	2.50-5.71%	10,113,949	11,527,811	-	647,507	690,000	11,485,318
6/14/07	2031	3.52-4.35%	75,000,000	4,550,000	-	-	2,220,000	2,330,000
2/4/09	2034	3.00-6.11%	53,429,200	54,925,678	-	1,030,881	42,280,000	13,676,559
12/1/09	2039	2.50-7.08%	67,997,922	91,409,793	-	3,232,591	30,675,000	63,967,384
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	20,664,829	-	746,205	1,325,000	20,086,034
7/8/15	2045	2.50-5.00%	99,995,000	99,995,000	-	-	5,180,000	94,815,000
7/8/15	2032	3.00-5.00%	51,675,000	50,625,000	-	-	35,000	50,590,000
9/27/16	2036	3.00-4.00%	70,030,000	-	70,030,000	-	-	70,030,000
9/27/16	2035	4.000%	31,145,000	-	31,145,000	-	-	31,145,000
				<u>\$ 404,346,636</u>	<u>\$ 101,175,000</u>	<u>\$ 7,823,972</u>	<u>\$ 86,195,000</u>	<u>\$ 427,150,608</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, 2017, the principal balance outstanding of the 1998 General Obligation Bonds, Series B was \$13,302,276.

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, 2017, the principal balance outstanding on the 1998 General Obligation Bonds, Series C was \$23,723,037. Unamortized premium received on issuance of the bonds amounted to \$143,034 as of June 30, 2017.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance outstanding of the 1998 General Obligation Bonds, Series D was \$11,485,318. Unamortized premium received on issuance of the bonds amounted to \$104,461, as of June 30, 2017.

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, 2017, the principal balance outstanding of the 2006 General Obligation Bonds, Series A was \$2,330,000. Unamortized premium received on issuance of the bonds amounted to \$120,891, as of June 30, 2017.

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. On September 27, 2016, \$41,330,000 of principle was defeased with proceeds from the issuance of the District's 2016 General Obligation Refunding Bonds, Series A. As of June 30, 2017, the principal balance outstanding on the 2006 General Obligation Bonds, Series B was \$13,676,559. Unamortized premium received on issuance of the bonds amounted to \$2,266,092, as of June 30, 2017.

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. On September 27, 2016, \$28,405,000 of principle was defeased with proceeds from the issuance of the District's 2016 General Obligation Refunding Bonds, Series A. As of June 30, 2017, the principal balance outstanding on the 2006 General Obligation Bonds, Series C was \$63,967,384. Unamortized premium received on issuance of the bonds amounted to \$7,506,521, as of June 30, 2017.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, 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, 2017, the principal balance outstanding on the 2006 General Obligation Bonds, Series E was \$20,086,034. Unamortized premium received on issuance as of June 30, 2017, amounted to \$136,885.

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, 2017, the principal balance outstanding was \$94,815,000, and unamortized premium on issuance was \$8,126,529.

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 in the amount of \$3,980,000 and \$47,855,000, respectively. As of June 30, 2017, the principal balance outstanding was \$50,590,000, and unamortized premium on issuance and deferred amount on refunding were \$5,009,948 and \$2,405,366, respectively.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2016 General Obligation Refunding Bonds, Series A

On September 27, 2016, the Corona-Norco Unified School District issued 2016 General Obligation Refunding Bonds, Series A in the amount of \$70,030,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$77,533,286 (representing the principal amount of \$70,030,000 and premium of \$7,981,433, less cost of issuance of \$478,147). The bonds have a final maturity which occurs on August 1, 2039 with interest rates of 3.0 to 4.0 percent. Proceeds from the sale of the bonds were used to provide advance refunding of the District's 2006 General Obligation Bonds, Series B and partial refunding of 2006 General Obligation Bonds, Series C in the amount of \$41,330,000 and \$28,405,000, respectively. The refunding resulted in a cumulative cash flow saving of \$15,342,721 over the life of the new debt and an economic gain of \$19,921,520 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.59 percent. As of June 30, 2017, the principal balance outstanding was \$70,030,000, and unamortized premium on issuance and deferred amount on refunding were \$7,634,414 and \$6,966,268, respectively.

2016 General Obligation Refunding Bonds, Series B (2019 Crossover)

On September 27, 2016, the Corona-Norco Unified School District issued 2016 General Obligation Refunding Bonds, Series B (2019 Crossover) in the amount of \$31,145,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$34,649,907 (representing the principal amount of \$31,145,000 and premium of \$3,726,198, less cost of issuance of \$221,291). The bonds have a final maturity which occurs on August 1, 2035 with interest rates of 4.0 percent. Proceeds from the sale of the bonds will be used to provide advance refunding on the crossover date of August 1, 2019, of the District's 2006 General Obligation Bonds, Series D in the amount of \$32,000,000 and pay the cost of issuing the refunding bonds. As of June 30, 2017, the principal balance outstanding was \$31,145,000, and unamortized premium on issuance was \$3,530,082.

The general obligation bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2018	\$ 20,698,114	\$ 366,886	\$ 14,102,255	\$ 35,167,255
2019	14,783,052	841,948	14,648,738	30,273,738
2020	15,728,574	1,511,426	14,298,788	31,538,788
2021	11,700,959	2,794,041	14,068,963	28,563,963
2022	12,024,866	3,715,134	14,414,233	30,154,233
2023-2027	68,396,267	30,788,733	70,443,095	169,628,095
2028-2032	64,192,733	12,567,374	58,627,267	135,387,374
2033-2037	123,156,580	15,081,716	38,837,485	177,075,781
2038-2042	71,704,463	24,367,226	12,810,135	108,881,824
2043-2045	24,765,000	-	1,869,975	26,634,975
Total	\$ 427,150,608	\$ 92,034,484	\$ 254,120,934	\$ 773,306,026

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the principal balance is \$24,390,000. Unamortized premium on issuance and deferred charge on refunding were \$607,841, and \$109,970, respectively.

Year Ending June 30,	Principal	Interest	Total
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	1,515,000	870,694	2,385,694
2023-2027	8,610,000	3,315,419	11,925,419
2028-2032	8,895,000	1,141,967	10,036,967
Total	<u>\$ 24,390,000</u>	<u>\$ 9,498,356</u>	<u>\$ 33,888,356</u>

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, 2017, the principal balance is \$63,840,000.

Fiscal Year	Principal	Current Interest to Maturity	Total
2018	\$ 2,615,000	\$ 2,753,981	\$ 5,368,981
2019	2,695,000	2,655,929	5,350,929
2020	2,795,000	2,547,684	5,342,684
2021	2,900,000	2,428,813	5,328,813
2022	3,050,000	2,303,619	5,353,619
2023-2027	17,155,000	9,411,917	26,566,917
2028-2032	20,490,000	5,226,640	25,716,640
2033-2037	12,140,000	990,404	13,130,404
Total	<u>\$ 63,840,000</u>	<u>\$ 28,318,987</u>	<u>\$ 92,158,987</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Capital Leases

The District has entered into agreements to lease various mail room equipment, vehicles, and energy projects. 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	\$ 211,941
Additions	11,218,768
Payments	(638,147)
Balance, End of Year	<u>\$ 10,792,562</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2018	\$ 353,021
2019	1,132,248
2020	1,119,493
2021	655,024
2022	655,024
2023-2027	3,275,120
2028-2032	3,275,120
2033	327,512
Total	<u>10,792,562</u>
Less: Amount Representing Interest	<u>(1,507,186)</u>
Present Value of Minimum Lease Payments	<u>\$ 9,285,376</u>

Property and Liability

The District had outstanding reserves that amounted to \$1,038,508 at June 30, 2017 based on its self-insured retention amounts of \$150,000 and \$250,000 for its property and liability programs, respectively.

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, 2017, amounted to \$16,871,000, using a discount factor of 1.0 percent.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 employees who retired during the 2012-2013 and 2015-2016 school year, were purchased from Pacific Life Insurance Company. As of June 30, 2017, the balance of the obligation associated with the supplemental early retirement plan was \$9,221,831.

Future payments are as follows:

Year Ending June 30,	Annual Payment
2018	\$ 3,297,864
2019	1,974,655
2020	1,974,655
2021	1,974,657
Total	<u>\$ 9,221,831</u>

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$5,098,356, and contributions made by the District during the year were \$2,041,335. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$573,362 and \$(657,432), respectively, which resulted in an increase to the net OPEB obligation of \$2,972,951. As of June 30, 2017, the net OPEB obligation was \$15,714,327. 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, 2017, amounted to \$4,532,100.

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, 2017, of \$79,885,000.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 205,000	\$ -	\$ -	\$ -	\$ 10,920	\$ 215,920
Stores inventories	126,416	-	-	-	152,646	279,062
Total Nonspendable	331,416	-	-	-	163,566	494,982
Restricted						
Legally restricted programs	3,242,016	-	-	-	2,693,814	5,935,830
Capital projects	-	40,129,457	898,080	-	2,810,733	43,838,270
Debt services	-	-	-	72,143,028	15,684,960	87,827,988
Total Restricted	3,242,016	40,129,457	898,080	72,143,028	21,189,507	137,602,088
Committed						
Adult education program	-	-	-	-	808,250	808,250
Assigned						
School site planned expenditures	6,277,030	-	-	-	-	6,277,030
LCAP planned expenditures	2,962,681	-	-	-	-	2,962,681
Instructional Materials						
Facilities maintenance & Technology	15,208,983	-	-	-	-	15,208,983
Local grants	322,522	-	-	-	-	322,522
Energy savings project	4,172,536	-	-	-	-	4,172,536
Enrollment adjustment	36,772,348	-	-	-	-	36,772,348
Total Assigned	65,716,100	-	-	-	-	65,716,100
Unassigned						
Reserve for economic uncertainties	11,100,463	-	-	-	-	11,100,463
Total	\$ 80,389,995	\$ 40,129,457	\$ 898,080	\$ 72,143,028	\$ 22,161,323	\$ 215,721,883

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 282 retirees and their beneficiaries currently receiving benefits, 12 terminated plan members entitled to, but not yet receiving benefits, and 4,168 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 2016-2017, the District contributed \$2,041,335 to the Plan, all of which was used for current premiums (approximately 56.8 percent of total premiums). Plan members receiving benefits contributed \$1,551,541 or approximately 43.2 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	573,362
Adjustment to annual required contribution	<u>(657,432)</u>
Annual OPEB cost	5,014,286
Contributions made	<u>(2,041,335)</u>
Increase in net OPEB obligation	2,972,951
Net OPEB obligation, beginning of year	<u>12,741,376</u>
Net OPEB obligation, end of year	<u>\$ 15,714,327</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Trend information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	\$ 2,738,703	\$ 1,281,657	46.80%	\$ 9,063,054
2016	5,038,557	1,360,235	27.00%	12,741,376
2017	5,014,286	2,041,335	40.71%	15,714,327

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
April 1, 2016	\$ -	\$ 44,162,051	\$ 44,162,051	0%	\$ 345,444,277	12.78%

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.

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, was 22 years. The actuarial value of assets was not determined in this actuarial valuation as there were none.

NOTE 14 - RISK MANAGEMENT

Description

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

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$16,871,000 have been discounted at 1.0 percent as of June 30, 2017. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2015 to June 30, 2017:

	<u>Workers'</u> <u>Compensation</u>
Liability Balance, July 1, 2015	\$ 15,516,000
Claims and changes in estimates	1,882,832
Claims payments	<u>(1,882,832)</u>
Liability Balance, June 30, 2016	15,516,000
Claims and changes in estimates	3,585,677
Claims payments	<u>(2,230,677)</u>
Liability Balance, June 30, 2017	<u>\$ 16,871,000</u>
Assets available to pay claims at June 30, 2017	<u>\$ 23,950,828</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, 2017, 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</u> <u>Pension Liability</u>	<u>Collective</u> <u>Deferred Outflows</u> <u>of Resources</u>	<u>Collective</u> <u>Deferred Inflows</u> <u>of Resources</u>	<u>Collective</u> <u>Pension Expense</u>
CalSTRS	\$ 435,505,985	\$ 87,484,261	\$ 10,623,673	\$ 46,045,751
CaPERS	105,049,259	37,565,984	3,156,105	17,025,173
Total	<u>\$ 540,555,244</u>	<u>\$ 125,050,245</u>	<u>\$ 13,779,778</u>	<u>\$ 63,070,924</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2015, 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.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were \$35,054,501.

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

At June 30, 2017, 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	\$ 435,505,985
State's proportionate share of the net pension liability associated with the District	247,925,788
Total	<u>\$ 683,431,773</u>

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.5385 percent and 0.5358 percent, resulting in a net increase in the proportionate share of 0.0027 percent.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$46,045,751. In addition, the District recognized pension expense and revenue of \$23,964,637 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 35,054,501	\$ -
Net change in proportionate share of net pension liability	17,807,247	-
Difference between projected and actual earnings on pension plan investments	34,622,513	-
Differences between expected and actual experience in the measurement of the total pension liability	-	10,623,673
Total	\$ 87,484,261	\$ 10,623,673

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 June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 755,348
2019	755,349
2020	20,126,186
2021	12,985,630
Total	\$ 34,622,513

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 1,566,186
2019	1,566,186
2020	1,566,186
2021	1,566,186
2022	1,566,188
Thereafter	(647,358)
Total	<u>\$ 7,183,574</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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, 2017

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 626,791,331
Current discount rate (7.60%)	435,505,985
1% increase (8.60%)	276,635,495

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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2015. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	13.888%	13.888%

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, 2017, are presented above and the total District contributions were \$9,180,227.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$105,049,259. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.5319 percent and 0.5032 percent, resulting in a net increase in the proportionate share of 0.0287 percent.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

For the year ended June 30, 2017, the District recognized pension expense of \$17,025,173. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,180,227	\$ -
Net change in proportionate share of net pension liability	7,567,365	-
Difference between projected and actual earnings on pension plan investments	16,300,267	-
Differences between expected and actual experience in the measurement of the total pension liability	4,518,125	-
Changes of assumptions	-	3,156,105
Total	<u>\$ 37,565,984</u>	<u>\$ 3,156,105</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 June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 2,286,329
2019	2,286,329
2020	7,473,384
2021	4,254,225
Total	<u>\$ 16,300,267</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 3,819,937
2019	3,605,094
2020	1,504,354
Total	<u>\$ 8,929,385</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

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 Liability</u>
1% decrease (6.65%)	\$ 156,734,079
Current discount rate (7.65%)	105,049,259
1% increase (8.65%)	62,011,475

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$20,364,234 (8.828 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, 2017.

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, 2017.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to unfinished capital projects:

Capital Projects	Remaining Construction Commitments	Expected Date of Completion
Norco High School - Career Tech	\$ 1,046,880	August 2017
Anthony Elementary School - Fencing	61,000	September 2017
Franklin Elementary School - Fencing	40,000	September 2017
Highland Elementary School - Fencing	206,517	September 2017
Jefferson Elementary School - Fencing	181,000	September 2017
Riverview Elementary School - Fencing	179,832	September 2017
Sierra Vista Elementary School - Fencing	179,927	September 2017
Stallings Elementary School - Fencing	140,000	September 2017
Washington Elementary School - Fencing	173,000	September 2017
Auburndale Intermediate School - Fencing	388,000	September 2017
Corona Fundamental Intermediate School - Fencing	84,000	September 2017
Raney Intermediate School - Fencing	528,000	September 2017
Orange Grove High School - Fencing	172,032	September 2017
Victress Bower School - Fencing	141,000	September 2017
Centennial High School - Ventilation Project	151,717	September 2017
Corona High School - Ventilation Project	788,082	September 2017
Norco High School - Ventilation Project	127,763	September 2017
Roosevelt High School - Ventilation Project	105,610	September 2017
Santiago High School - Ventilation Project	157,631	September 2017
Cesar Chavez Academy - Track	1,399,443	December 2017
Adams Elementary School - Multi-Purpose/Library/Classrooms	14,830,278	June 2018
Garretson Elementary School - Multi-Purpose/Library/Classrooms	15,824,548	June 2018
Lincoln Elementary School - Multi-Purpose/Library/Classrooms	13,235,502	June 2018
Norco Elementary School - Multi-Purpose/Library/Classrooms	14,037,083	June 2018
Todd Elementary School - Conversion to K-8	14,093,625	June 2018
Temescal Elementary School - Relocatable Classroom	626,233	February 2018
Roosevelt High School - Stem Academy/Phase II	1,984,301	August 2019
	\$ 80,883,005	

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, the District made a payment of \$1,397,979, \$13,493,661, and \$25,773,914 to SCR, SISC, and VEBA, respectively, for the coverage noted above.

NOTE 18 - SUBSEQUENT EVENT

2017 Special Tax Bonds

On August 3, 2017, the Community Facilities District No. 15-1 of the Corona-Norco Unified School District issued \$6,315,000 of 2017 Special Tax Bonds. The current interest bonds mature September 1, 2047, with interest yields of 1.50 to 4.00 percent. Proceeds from the bonds will be used to pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District, fund a reserve account securing the bonds, and pay costs associated with the issuance of the bonds

REQUIRED SUPPLEMENTARY INFORMATION

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
	REVENUES			
Local Control Funding Formula	\$ 430,469,001	\$ 430,370,571	\$ 431,395,137	\$ 1,024,566
Federal sources	20,442,167	22,795,913	21,797,710	(998,203)
Other State sources	78,170,493	88,985,709	85,287,599	(3,698,110)
Other local sources	1,899,066	4,691,767	7,333,766	2,641,999
Total Revenues	530,980,727	546,843,960	545,814,212	(1,029,748)
EXPENDITURES				
Current				
Certificated salaries	276,779,987	278,227,757	278,968,783	(741,026)
Classified salaries	71,470,488	71,057,326	72,673,776	(1,616,450)
Employee benefits	105,176,359	106,899,319	106,871,723	27,596
Books and supplies	24,059,096	41,340,390	28,954,393	12,385,997
Services and operating expenditures	56,921,428	60,270,588	66,015,396	(5,744,808)
Capital outlay	426,550	2,644,591	2,430,016	214,575
Other outgo	278,877	(160,472)	(496,341)	335,869
Debt service - principal	148,515	1,212,703	568,090	644,613
Debt service - interest	-	-	40,216	(40,216)
Total Expenditures	535,261,300	561,492,202	556,026,052	5,466,150
Excess (Deficiency) of Revenues Over Expenditures	(4,280,573)	(14,648,242)	(10,211,840)	4,436,402
Other Financing Sources (Uses)				
Other sources - capital lease	-	-	9,676,028	9,676,028
Transfers out	(261,304)	(371,840)	(371,367)	473
Net Financing Sources (Uses)	(261,304)	(371,840)	9,304,661	9,676,501
NET CHANGE IN FUND BALANCE	(4,541,877)	(15,020,082)	(907,179)	14,112,903
Fund Balance - Beginning	81,297,174	81,297,174	81,297,174	-
Fund Balance - Ending	\$ 76,755,297	\$ 66,277,092	\$ 80,389,995	\$ 14,112,903

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, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
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%	345,444,277	12.78%

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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.5385%</u>	<u>0.5358%</u>	<u>0.5048%</u>
District's proportionate share of the net pension liability	<u>\$ 435,505,985</u>	<u>\$ 360,710,997</u>	<u>\$ 294,991,961</u>
State's proportionate share of the net pension liability associated with the District	<u>247,925,788</u>	<u>190,776,354</u>	<u>178,128,882</u>
Total	<u>\$ 683,431,773</u>	<u>\$ 551,487,351</u>	<u>\$ 473,120,843</u>
District's covered - employee payroll	<u>\$ 271,662,311</u>	<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>160.31%</u>	<u>145.05%</u>	<u>127.88%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
CalPERS			
District's proportion of the net pension liability	<u>0.5319%</u>	<u>0.5032%</u>	<u>0.4453%</u>
District's proportionate share of the net pension liability	<u>\$ 105,049,259</u>	<u>\$ 74,173,770</u>	<u>\$ 50,553,827</u>
District's covered - employee payroll	<u>\$ 64,746,375</u>	<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>162.25%</u>	<u>131.78%</u>	<u>106.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 35,054,501	\$ 29,149,366	\$ 22,082,986
Contributions in relation to the contractually required contribution	(35,054,501)	(29,149,366)	(22,082,986)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 278,652,631</u>	<u>\$ 271,662,311</u>	<u>\$ 248,682,275</u>
Contributions as a percentage of covered - employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS			
Contractually required contribution	\$ 9,180,227	\$ 7,670,503	\$ 6,625,269
Contributions in relation to the contractually required contribution	(9,180,227)	(7,670,503)	(6,625,269)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 66,101,865</u>	<u>\$ 64,746,375</u>	<u>\$ 56,284,674</u>
Contributions as a percentage of covered - employee payroll	<u>13.888%</u>	<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, 2017

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.

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

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

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.

SUPPLEMENTARY INFORMATION

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Fund for the Improvement of Education - Elementary Counseling Grant	84.215E	[1]	\$ 290,133
Fund for the Improvement of Education - Secondary Counseling Grant	84.215E	[1]	288,575
Passed through California Department of Education (CDE)			
Adult Basic Education & ESL	84.002A	14508	406,101
Adult Secondary Education	84.002	13978	214,150
English Literacy & Civics Education	84.002A	14109	140,293
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	7,503,057
Title I, Part G: Advanced Placement Test Fee Reimbursement Program	84.330B	14831	116,132
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	979,969
Title III, Immigrant Education Program	84.365	15146	69,038
Title III, English Learner Student Program	84.365	14346	801,806
Early Intervention Grants	84.181	23761	148,995
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	310,984
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	7,707,855
Preschool Grants, Part B, Sec 619	84.173	13430	159,805
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	628,679
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	592,857
Preschool Staff Development, Part B, Sec 619	84.173A	13431	6,087
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	14,647
Subtotal - Special Education (IDEA) Cluster			9,109,930
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership	84.126	10006	372,592
Total U.S. Department of Education			20,751,755
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Assistance Program			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	1,152,650
Passed through Passed through County of Riverside			
Medi-Cal Administrative Activities	93.778	10060	844,348
Subtotal - Medi-Cal Assistance Program			1,996,998
Passed through CDE			
Child Care and Development Fund (CCDF) Cluster			
Federal Child Care - Center Based	93.596	13609	24,007
Child Care and Development Block Grant	93.575	15136	11,027
Subtotal - CCDF Cluster			35,034
Total U.S. Department of Health and Human Services			2,032,032

[1] Direct award, PCA number not available.

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE			
Child Nutrition Cluster			
National School Lunch Program	10.555	13396	9,989,936
Basic School Breakfast Program	10.553	13390	10,072
Especially Needy Breakfast Program	10.553	13390	1,945,196
Summer Food Service Program	10.559	13004	180,979
Commodities	10.555	13396	1,324,063
Subtotal - Child Nutrition Cluster			13,450,246
Child and Adult Care Food Program	10.558	13666	683,970
Forest Reserve	10.665	10044	15,888
Total U.S. Department of Agriculture			14,150,104
Total Expenditures of Federal Awards			\$ 36,933,891

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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>
Bill Newberry	President	2018
John Zickefoose	Vice President	2018
Mary Ybarra	Clerk	2020
Jose W. Lalas, Ph.D.	Member	2020
Bill Pollock	Member	2020

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Michael H. Lin, Ed.D.	Superintendent
Samuel Buenrostro, Ed.D.	Deputy Superintendent, Instructional Support
Alan Giles	Assistant Superintendent, Business Services
Lisa Simon, Ed.D.	Assistant Superintendent, Educational Services
Ted E. Rozzi	Assistant Superintendent, Facilities
Glen Gonsalves	Interim Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017**

	Final Report	
	Second Period	Annual
	Report	Report
	FAE57538	CF57A3CD
Regular ADA		
Transitional kindergarten through third	14,637.15	14,668.81
Fourth through sixth	11,880.80	11,880.57
Seventh and eighth	8,094.55	8,089.28
Ninth through twelfth	16,558.29	16,465.95
Total Regular ADA	51,170.79	51,104.61
Extended Year Special Education		
Transitional kindergarten through third	13.75	15.62
Fourth through sixth	12.49	14.55
Seventh and eighth	6.02	6.02
Ninth through twelfth	32.94	32.94
Total Extended Year Special Education	65.20	69.13
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.38	2.27
Fourth through sixth	1.95	3.11
Seventh and eighth	6.64	9.60
Ninth through twelfth	15.04	22.29
Total Special Education, Nonpublic, Nonsectarian Schools	25.01	37.27
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.27	0.32
Seventh and eighth	1.00	1.05
Ninth through twelfth	1.87	2.28
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	3.14	3.65
Total ADA	51,264.14	51,214.66

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017**

Grade Level	1986-87	2016-17	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	175	Complied
Grades 1 - 3	50,400				
Grade 1		50,725	180	175	Complied
Grade 2		50,725	180	175	Complied
Grade 3		50,725	180	175	Complied
Grades 4 - 6	54,000				
Grade 4		54,113	180	175	Complied
Grade 5		54,113	180	175	Complied
Grade 6		54,113	180	175	Complied
Grades 7 - 8	54,000				
Grade 7		60,610	180	175	Complied
Grade 8		60,610	180	175	Complied
Grades 9 - 12	64,800				
Grade 9		65,046	180	-	Complied
Grade 10		65,046	180	-	Complied
Grade 11		65,046	180	-	Complied
Grade 12		65,046	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, 2017**

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

**Non-Major Governmental Funds - Capital Project Fund for Blended
Component Units**

FUND BALANCE

Balance, June 30, 2017, Unaudited Actuals	\$ 6,810,733
Increase in:	
Due to other funds	<u>(4,000,000)</u>
Balance, June 30, 2017, Audited Financial Statement	<u>\$ 2,810,733</u>

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

	(Budget)			
	2018 ¹	2017	2016	2015
GENERAL FUND				
Revenues	\$ 540,757,327	\$ 545,814,212	\$ 536,999,180	\$ 446,818,275
Othe sources and transfers in	-	9,676,028	200,000	-
Total Revenues				
and Other Sources	<u>540,757,327</u>	<u>555,490,240</u>	<u>537,199,180</u>	<u>446,818,275</u>
Expenditures	553,391,733	556,026,052	511,017,706	450,129,138
Other uses and transfers out	414,728	371,367	504,994	677,310
Total Expenditures				
and Other Uses	<u>553,806,461</u>	<u>556,397,419</u>	<u>511,522,700</u>	<u>450,806,448</u>
INCREASE (DECREASE)				
IN FUND BALANCE	<u>\$ (13,049,134)</u>	<u>\$ (907,179)</u>	<u>\$ 25,676,480</u>	<u>\$ (3,988,173)</u>
ENDING FUND BALANCE	<u>\$ 67,340,861</u>	<u>\$ 80,389,995</u>	<u>\$ 81,297,174</u>	<u>\$ 55,620,694</u>
AVAILABLE RESERVES ²	<u>\$ 11,076,129</u>	<u>\$ 11,100,463</u>	<u>\$ 12,622,523</u>	<u>\$ 44,003,220</u>
AVAILABLE RESERVES AS A				
PERCENTAGE OF TOTAL OUTGO	<u>2.0%</u>	<u>2.0%</u>	<u>2.5%</u>	<u>9.8%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$607,230,448</u>	<u>\$561,184,881</u>	<u>\$466,056,477</u>
K-12 AVERAGE DAILY				
ATTENDANCE AT P-2	<u>50,979</u>	<u>51,264</u>	<u>51,404</u>	<u>51,866</u>

The General Fund balance has increased by \$24,769,301 over the past two years. The fiscal year 2017-2018 budget projects a decrease of \$13,049,134 (16.2 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by \$141,173,971 over the past two years.

Average daily attendance has decreased by 602 over the past two years. Additional decline of 285 ADA is anticipated during fiscal year 2017-2018.

¹ Budget 2018 is included for analytical purposes only and has not been subjected to audit.

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

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 1,896,847	\$ 2,585,933	\$ 124,525
Receivables	190,238	1,947,680	1,048
Stores inventories	-	152,646	-
Total Assets	\$ 2,087,085	\$ 4,686,259	\$ 125,573
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 82,214	\$ 41,509	\$ 125,573
Due to other funds	-	2,728,057	-
Unearned revenue	-	255,934	-
Total Liabilities	82,214	3,025,500	125,573
Fund Balances:			
Nonspendable	-	163,566	-
Restricted	1,196,621	1,497,193	-
Committed	808,250	-	-
Total Fund Balances	2,004,871	1,660,759	-
Total Liabilities and Fund Balances	\$ 2,087,085	\$ 4,686,259	\$ 125,573

See accompanying note to supplementary information.

Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 6,810,733	\$ 15,688,758	\$ 27,106,796
-	-	2,138,966
-	-	152,646
<u>\$ 6,810,733</u>	<u>\$ 15,688,758</u>	<u>\$ 29,398,408</u>

\$ -	\$ 3,798	\$ 253,094
4,000,000	-	6,728,057
-	-	255,934
<u>4,000,000</u>	<u>3,798</u>	<u>7,237,085</u>

-	-	163,566
2,810,733	15,684,960	21,189,507
-	-	808,250
<u>2,810,733</u>	<u>15,684,960</u>	<u>22,161,323</u>

<u>\$ 6,810,733</u>	<u>\$ 15,688,758</u>	<u>\$ 29,398,408</u>
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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, 2017**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Federal sources	\$ 760,544	\$ 35,034	14,134,216	\$ -
Other State sources	1,720,530	50,883	902,485	-
Other local sources	45,221	-	4,901,519	4,391
Total Revenues	<u>2,526,295</u>	<u>85,917</u>	<u>19,938,220</u>	<u>4,391</u>
EXPENDITURES				
Current				
Instruction	1,785,983	453,426	-	-
Instruction-related activities:				
School site administration	916,943	-	-	-
Pupil services:				
Food services	-	-	18,877,876	-
Administration:				
All other administration	63,348	3,858	696,461	-
Plant services	70,266	-	-	795,266
Other outgo	-	-	-	-
Debt service				
Principal	-	-	29,841	-
Interest and other	-	-	-	-
Total Expenditures	<u>2,836,540</u>	<u>457,284</u>	<u>19,604,178</u>	<u>795,266</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(310,245)</u>	<u>(371,367)</u>	<u>334,042</u>	<u>(790,875)</u>
Other Financing Sources (Uses)				
Transfers in	-	371,367	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>371,367</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
Fund Balances - Beginning	2,315,116	-	1,326,717	790,875
Fund Balances - Ending	<u>\$ 2,004,871</u>	<u>\$ -</u>	<u>\$ 1,660,759</u>	<u>\$ -</u>

See accompanying note to supplementary information.

Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 14,929,794
-	-	2,673,898
1,458,288	11,153,133	17,562,552
1,458,288	11,153,133	35,166,244
-	-	2,239,409
-	-	916,943
-	-	18,877,876
-	-	763,667
-	-	865,532
945,682	10,165,608	11,111,290
-	3,725,000	3,754,841
106,185	4,020,552	4,126,737
1,051,867	17,911,160	42,656,295
406,421	(6,758,027)	(7,490,051)
-	2,367,028	2,738,395
(4,000,000)	-	(4,000,000)
(4,000,000)	2,367,028	(1,261,605)
(3,593,579)	(4,390,999)	(8,751,656)
6,404,312	20,075,959	30,912,979
\$ 2,810,733	\$ 15,684,960	\$ 22,161,323

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, 2017**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2016-2017		2015-2016		2014-2015	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal revenue	\$ 21,798	4.0	\$ 22,546	4.2	\$ 20,462	4.6
State and local revenue included in Local Control Funding Formula	431,395	79.1	412,323	76.8	362,705	81.2
Other State revenue	85,287	15.6	99,311	18.5	59,810	13.4
Other local revenue	7,334	1.3	2,819	0.5	3,744	0.8
Total Revenues	545,814	100.0	536,999	100.0	446,721	100.0
EXPENDITURES						
Salaries and Benefits						
Certificated salaries	278,969	51.1	274,218	51.1	247,048	55.3
Classified salaries	72,674	13.3	70,141	13.0	62,182	13.9
Employee benefits	106,872	19.6	91,069	17.0	77,857	17.4
Total Salaries and Benefits	458,515	84.0	435,428	81.1	387,087	86.6
Books and supplies	28,954	5.3	16,890	3.1	14,749	3.3
Contracts and operating expenses	66,015	12.1	58,123	10.8	48,131	10.8
Capital outlay	2,430	0.4	556	0.1	631	0.1
Other outgo	112	0.0	21	0.0	(469)	(0.1)
Total Expenditures	556,026	101.8	511,018	95.1	450,129	100.7
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,212)	(1.8)	25,981	4.9	(3,408)	(0.7)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	200	0.0	-	-
Other sources - capital lease	9,676	1.7	-	-	97	0.0
Operating transfers out	(371)	(0.1)	(505)	(0.1)	(677)	(0.2)
Total Other Financing Sources (Uses)	9,305	1.6	(305)	(0.1)	(580)	(0.1)
CHANGE IN FUND BALANCE	(907)	(0.2)	25,676	4.8	(3,988)	(0.9)
FUND BALANCE - BEGINNING	81,297		55,621		59,609	
FUND BALANCE - ENDING	\$ 80,390		\$ 81,297		\$ 55,621	

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, 2017**

(Dollar amounts in thousands)

	Actual Results for the Years					
	2016-2017		2015-2016		2014-2015	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
REVENUES						
Federal programs	\$ 14,134	70.9	\$ 14,065	71.6	\$ 13,395	72.0
State meal program	902	4.5	945	4.8	969	5.2
Food sales and other local	4,902	24.6	4,630	23.6	4,242	22.8
Total Revenues	19,938	100.0	19,640	100.0	18,606	100.0
EXPENDITURES						
Salaries and employee benefits	9,293	46.6	9,214	46.9	8,673	46.6
Food, supplies, and services	9,556	47.9	9,705	49.4	8,579	46.1
Other	726	3.6	683	3.5	1,020	5.5
Capital outlay	29	0.1	134	0.7	50	0.3
Total Expenditures	19,604	98.2	19,736	100.5	18,322	98.5
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	334	1.8	(96)	(0.5)	284	1.5
OTHER FINANCING SOURCES						
Other sources - capital lease	-		60		-	
INCREASE IN FUND BALANCE	334		(36)		284	
FUND BALANCE - BEGINNING	1,327		1,363		1,079	
FUND BALANCE - ENDING	\$ 1,661		\$ 1,327		\$ 1,363	

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

	2016-2017		2015-2016		2014-2015	
	Meals Served	Percent	Meals Served	Percent	Meals Served	Percent
	TYPE 'A' LUNCHES					
Paid	1,245,408	29.1	1,189,377	27.6	1,113,752	26.1
Reduced price	716,687	16.8	682,254	15.8	648,041	15.2
Free	2,308,998	54.1	2,441,582	56.6	2,504,401	58.7
Total Lunches	4,271,093	100.0	4,313,213	100.0	4,266,194	100.0
BASIC BREAKFAST						
Paid	1,064	25.3	950	19.0	2,619	27.8
Reduced price	710	16.9	1,101	21.9	1,793	19.0
Free	2,430	57.8	2,961	59.1	5,009	53.2
Total Basic Breakfast	4,204	100.0	5,012	100.0	9,421	100.0
ESPECIALLY NEEDY BREAKFAST						
Paid	138,099	12.6	123,749	11.5	110,963	10.0
Reduced price	196,965	17.9	162,198	15.2	177,405	16.0
Free	764,968	69.5	786,012	73.3	821,030	74.0
Total Especially Needy Breakfast	1,100,032	100.0	1,071,959	100.0	1,109,398	100.0

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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 in the previous period were recorded as revenues but were not spent. These unspent balances have been expended in the current period. 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 Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 37,493,585
Qualified School Construction Bonds - Interest Subsidy	N/A	(766,081)
Medi-Cal Billing Option	93.778	206,387
Total Schedule of Expenditures of Federal Awards		<u>\$ 36,933,891</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, 2017

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.

INDEPENDENT AUDITOR'S REPORTS



**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, and the aggregate remaining fund information of Corona-Norco Unified School District (the District) as of and for the year ended June 30, 2017, 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 6, 2017.

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 6, 2017.

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.



Rancho Cucamonga, California
December 6, 2017



**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 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, 2017. Corona-Norco Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001. Our opinion on each major Federal program is not modified with respect to these matters.

Corona-Norco Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Corona-Norco Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 that we consider to be significant deficiencies.

Corona-Norco Unified School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Corona-Norco Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Vavriach, Train, Day & Co., LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 6, 2017



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 compliance with the types of compliance requirements as identified in the *2016-2017 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, 2017.

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 *2016-2017 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.

Unmodified Opinion on Each of the 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, 2017.

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:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, 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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
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 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 offer an Independent Study Course-Based Program, but the ADA generated by the program was below the level required for testing; therefore, we did not perform procedures related to the Independent Study Course-Based Program.

The District did have one school site listed on the immunization assessment reports for both kindergarten/TK and 7th grade; however the site is a special education site. Based on the review of *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*: Z(3) and Z(7) states that “excluding students in independent study and students with an individualized education program that includes special education and related services”; 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.



Rancho Cucamonga, California
December 6, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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>Yes</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>Yes</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,108,017</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>
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CORONA-NORCO UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

The following finding represents a significant deficiency and an instance of noncompliance including questioned costs that are required to be reported by the Uniform Guidance. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2017-001 50000

Federal Program Affected

Title: Child Nutrition Cluster
CFDA: 10.553, 10.555, 10.559
Pass-Through Agency: California Department of Education
Federal Agency: U.S. Department of Agriculture (USDA)

Criteria or Specific Requirements

Title 7, Code of Federal Regulations, Part 210, Subpart B, Section 210.7(c) outlines various requirements deemed necessary for the accurate submission of monthly lunch count reimbursement claims. These include, but are not limited to, the correct recording and reporting of lunch and supplement counts onto submitted claims. Furthermore, as outlined in Title 7, Code of Federal Regulations, Part 210, Subpart B, Section 210.8(a), internal controls should be implemented to ensure that lunch counts reported on reimbursement claims are reviewed and verified prior to their submission.

Condition

Recording errors were identified based on the review of a sample of the District's meal reimbursement claim forms. Recording errors resulted in the District overstating its reimbursable meals in the National School Lunch Category. Over a two month period, the District reported 641,608 meals served under the National School Lunch Category. However, supporting documentation indicated that only 637,856 meals were served, resulting in an overstatement of 3,752 meals.

Questioned Costs

There were no direct questioned costs associated with the condition identified. However, the District was reimbursed \$12,712 for the overstated meals.

Context

The condition was identified as a result of the auditor's inquiry with the District's food services personnel and through review of supporting documents.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

Effect

The District has not complied with requirements identified in Title 7, Code of Federal Regulations, Part 210, Subpart C, Section 210.7(c) and Section 210.8(a). Noncompliance with both of these requirements directly resulted in the District's unintentional overstatement of the number of meals claimed on monthly meal reimbursement forms.

Cause

The condition identified appears to have materialized primarily due to the lack of review procedures which should be in place to ensure the accuracy of claims being submitted.

Recommendation

The District should review the requirements stated in 7 CFR, Part 21, Subpart C, Section 217(c) and Section 218(a) and implement procedures to address the deficiency currently identified with the District's reporting process. The District should draft and adopt necessary procedures that would prevent and detect any future error in reimbursement claims. Specifically, the District should implement a review process which would involve management level personnel at the District's Business Services Department.

Corrective Action Plan

The Account Clerk II will print the Monthly Claim Report and the CNIPS Summary report and submit the reports to the Director to verify that the reports match. Once the Director has verified the reports match she will initial the reports and the Account Clerk II will submit the reports for reimbursement.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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

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

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. There was no fiscal impact on the current year's apportionment since the District is a declining enrollment District and its apportionment is based on prior year's ADA. However, the fiscal impact of the condition noted may result in an approximate reduction in funding of \$10,500 for the next fiscal year.

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).

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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. Additionally, the District should amend its P2 and Annual attendance reports to properly account for the errors noted in the condition 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, 2017, 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 6, 2017, on the government-wide financial statements of the District.

INTERNAL CONTROLS

Cafeteria: Non-Payroll Disbursements

Observation

It was noted that four of 60 disbursements selected for testing were not supported by a purchase order. This would indicate that the items/services were purchased prior to receiving an approval.

Recommendation

All disbursements should be pre-approved prior to the transaction taking place. Disbursements should go through multiple levels of approval. One of the most important approvals is by the business department. The business department is responsible for reviewing account coding and making sure that expenditures are limited by established budgets.

Observation

It was noted that one of 60 disbursements selected for testing was not supported by purchase order, invoice, and receiving document.

Recommendation

The District should maintain proper documentation of expenditures including purchase order, invoices, and receiving documents. The District should ensure that all disbursement are supported by adequate invoices prior to the checks being issued. This will identify and prevent potential misappropriation of funds.

ASSOCIATED STUDENT BODY (ASB)

Corona Fundamental Intermediate School

Observations

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

1. Cash collections are not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet.
2. Three of five disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
3. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, three of five vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASBs.

Recommendation

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The yellow copy of the receipt should be issued to the person turning in the monies, the white receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the white copy of the receipts and monies to clearly identify the total amount being turned in.
2. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.

Raney Intermediate School

Observation

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

1. Based on the review of the cash receipting procedures, it was noted that four of 10 deposits tested were not deposited in a timely manner. Delay in deposit ranged from approximately 12 to 121 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Two of three revenue potential forms tested did not provide an explanation for the difference between the estimated and the actual columns.

Recommendation

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

Centennial High School

Observation

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

1. Based on the review of the cash receipting procedures, it was noted that six of 23 deposits tested were not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 20 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
2. Cash collected by teachers, advisors, or clubs is not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. Six of 23 deposits tested did not have sufficient support or a paper trail; therefore the auditor was unable to confirm if these deposits were intact and deposited in a timely manner.
3. Pre-Approval Forms that are not vendor specific, are being liberally used for ASB disbursements. Many of the Pre-Approval Forms were created at the beginning of the year for a flat amount and covered general purchases. These Pre-Approval Forms did not identify specific vendors that the ASB would engage in business transactions with. The use of such Pre-Approval Forms prevents the ASB from identifying deficit spending and prevents the ASB from engaging in the proper pre-approval of transactions.
4. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, 10 of 25 vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASBs.
5. One of six fund raising events was not preapproved nor was it supported by a revenue potential form. These forms supply an element of internal controls without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received.
6. A master ticket log is not being used by the sites to account for all tickets on hand and used during the year.

Recommendation

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the student's name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The yellow copy of the receipt should be issued to the person turning in the monies, the white receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the white copy of the receipts and monies to clearly identify the total amount being turned in.
3. The ASB should minimize the use of non-vendor specific Pre-Approval Forms with high authorization amounts. The ASB should also be cognizant of its operating budget when creating these non-vendor specific Pre-Approval Forms in order to prevent any instances of deficit spending. Furthermore, all Pre-Approval Forms created and approved by the ASB should identify specific vendors that the ASB would engage in business transactions with. This would allow the ASB to facilitate the pre-approval of disbursement transactions.
4. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
5. Review and approving the fundraising events is an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrator(s) prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting. The revenue potential form is a vital internal control tool; it should be used to document revenues, expenditures, potential revenue and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential also indicates weak control areas in the fund-raising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due and so forth.
6. A master ticket log should be maintained which notes the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the form should be reconciled to the log.

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



Rancho Cucamonga, California
December 6, 2017