



Annual Financial Report
June 30, 2019

Corona-Norco Unified School District

CORONA-NORCO UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds - Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Proprietary Funds - Statement of Net Position	24
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	25
Proprietary Funds - Statement of Cash Flows	26
Fiduciary Funds - Statement of Net Position	27
Notes to Financial Statements	28

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	80
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	81
Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program	82
Schedule of the District's Proportionate Share of the Net Pension Liability	83
Schedule of District Contributions	84
Note to Required Supplementary Information	85

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	88
Local Education Agency Organization Structure	90
Schedule of Average Daily Attendance	91
Schedule of Instructional Time	92
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	93
Schedule of Financial Trends and Analysis	94
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	96
Note to Supplementary Information	97

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	100
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	102
Report on State Compliance	104

CORONA-NORCO UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	108
Financial Statement Findings	109
Federal Awards Findings and Questioned Costs	110
State Awards Findings and Questioned Costs	111
Summary Schedule of Prior Audit Findings	112
Management Letter	113



FINANCIAL SECTION



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, 2019, 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 *2018-2019 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, 2019, 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 changes in the District's total OPEB liability and related ratios on page 81, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 82, schedule of the District's proportionate share of the net pension liability on page 83, and the schedule of District contributions on page 84, 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 9, 2019, 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.

Eide Sallee LLP

Rancho Cucamonga, California
December 9, 2019



Michael H. Lin, Ed.D., Superintendent
 Tel.: (951) 736-5010 / Fax: (951) 736-5015

Samuel Buenostro, Ed.D., Deputy Superintendent
Instructional Support
 Tel.: (951) 736-5111 / Fax: (951) 736-5172

Lisa Simon Ed.D., Associate Superintendent
Educational Services
 Tel.: (951) 736-5080 / Fax: (951) 736-5087

Alan P. Giles, Asst. Superintendent
Business Services
 Tel.: (951) 736-5035 / Fax: (951) 736-5055

Glen A. Gonsalves, Asst. Superintendent
Human Resources
 Tel.: (951) 736-5064 / Fax: (951) 736-5077

Ben Odipo, PMP, Asst. Superintendent
Information Technology
 Tel.: (951) 736-5190 / Fax: (951) 736-5196

Judy K. Now, Chief of Staff
Executive Services
 Tel.: (951) 736-5003 / Fax: (951) 736-5015

Dalia Gadelmawla, Chief Business Officer
Business Services
 Tel.: (951) 736-5025 / Fax: (951) 736-5055

Evita Tapia-Gonzalez, Administrative Director
Communications
 Tel.: (951) 736-5084 / Fax: (951) 736-5017

This section of Corona-Norco Unified School District's (the District) 2018-2019 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ending June 30, 2018. 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. Elizabeth "Lisa" Marroquin
 Bill Pollock Mary Helen Ybarra John "Mr. Z" Zickefoose



CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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, 2019

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$50,098,799 for the fiscal year ended June 30, 2019. Of this amount, \$(480,399,929) was unrestricted (deficit). Restricted net position is 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	
	2019	2018
Assets		
Current and other assets	\$ 342,181,888	\$ 387,235,974
Capital assets	975,793,228	933,668,245
Total Assets	<u>1,317,975,116</u>	<u>1,320,904,219</u>
Deferred Outflows of Resources	<u>183,202,643</u>	<u>200,202,540</u>
Liabilities		
Current liabilities	48,063,533	45,385,952
Long-term obligations	748,128,457	759,113,235
Aggregate pension liability	618,129,251	608,323,074
Total Liabilities	<u>1,414,321,241</u>	<u>1,412,822,261</u>
Deferred Inflows of Resources	<u>36,757,719</u>	<u>33,924,649</u>
Net Position		
Net investment in capital assets	458,862,762	460,886,600
Restricted	71,635,966	62,765,989
Unrestricted (deficit)	(480,399,929)	(449,292,740)
Total Net Position	<u>\$ 50,098,799</u>	<u>\$ 74,359,849</u>

The \$(480,399,929) 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, 2019**

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	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 9,504,570	\$ 6,197,730
Operating grants and contributions	122,031,616	122,803,412
Capital grants and contributions	2,113,488	-
General revenues:		
Federal and State aid not restricted	374,461,643	343,637,565
Property taxes	159,356,344	150,457,117
Other general revenues	37,083,529	37,662,565
Total Revenues	704,551,190	660,758,389
Expenses		
Instruction-related	517,162,072	489,349,406
Pupil services	80,959,913	76,004,078
Administration	26,083,082	24,769,021
Plant services	54,486,913	46,590,469
All other activities	50,120,260	55,589,120
Total Expenses	728,812,240	692,302,094
Change in Net Position	\$ (24,261,050)	(31,543,705)

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$728,812,240. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$159,356,344 because the cost was paid by other governments and organizations who subsidized certain programs with charges for services, grants, and contributions (\$133,649,674). We paid for the remaining "public benefit" portion of our governmental activities with \$374,461,643 in Federal and State unrestricted funds and with \$37,083,529 in 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 functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$ 517,162,072	\$ 489,349,406	\$ 428,713,385	\$ 410,029,628
Pupil services	80,959,913	76,004,078	51,415,183	46,489,396
Administration	26,083,082	24,769,021	23,071,405	22,765,223
Plant services	54,486,913	46,590,469	52,760,030	43,559,171
All other services	50,120,260	55,589,120	39,202,563	40,457,534
Total	\$ 728,812,240	\$ 692,302,094	\$ 595,162,566	\$ 563,300,952

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT'S FUNDS

As the District completed this year, governmental funds reported a combined fund balance of \$211,422,304, which is a decrease of \$47,028,696 from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2018	Revenues	Expenditures	June 30, 2019
General Fund	\$ 69,410,135	\$ 618,335,817	\$ 603,084,195	\$ 84,661,757
Building Fund	94,228,301	1,600,114	69,460,130	26,368,285
Bond Interest and Redemption Fund	75,453,316	35,387,299	33,996,241	76,844,374
Adult Education Fund	1,871,565	2,973,046	3,241,164	1,603,447
Child Development Fund	-	379,061	379,061	-
Cafeteria Fund	2,033,107	18,754,573	19,824,858	962,822
Capital Facilities Fund	848,636	13,785,329	13,680,843	953,122
County School Facilities Fund	-	2,113,488	2,113,488	-
Capital Project Fund for Blended Component Units	937,021	13,489,371	7,052,852	7,373,540
Debt Service Fund for Blended Component Units	13,668,919	15,478,508	16,492,470	12,654,957
Total	\$ 258,451,000	\$ 722,296,606	\$ 769,325,302	\$ 211,422,304

The primary reasons for these changes are the following:

The Building Fund, Capital Facilities Fund and the Capital Project Fund from Blended Component Units are revenues and expenditures that are accounted for from school facility fees received and funds expended on new construction and modernization projects within the district. Specifically, funds were expended on the construction of the Rondo School of Discovery and the Roosevelt HS eSTEM Academy.

The District expended Measure GG funds on projects that included the modernization of administrative offices, multi-purpose rooms, classrooms, playgrounds and parking lots at Garretson Elementary School, Norco Elementary School, Jefferson Elementary School, and Norco Intermediate School.

The District had other expenditures that include fencing at Foothill Elementary, stadium turf replacement at Santiago and Corona High School, a new marquee at Riverview Elementary School, additional storage for the music program at Santiago High School and the modernization of the Boys and Girls gym locker rooms at Corona High School.

Lastly, the District increased its Career Technical education {CTE} capacity by upgrading the Culinary Arts classroom at Centennial High School and the Photo Lab and Welding Shop at Corona High School.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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 25, 2019. (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, 2019, the District had \$975,793,228 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 \$42,124,983 or 4.5 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2019	2018
Land	\$ 86,028,059	\$ 86,028,059
Construction in progress	235,919,883	158,701,606
Buildings and improvements	639,262,746	673,328,499
Furniture and equipment	14,582,540	15,610,081
Total	\$ 975,793,228	\$ 933,668,245

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, 2019

Long-Term Obligations

At the end of this year, the District had \$748,128,457 in long-term obligations versus \$759,113,235 last year, a decrease of 1.4 percent. The decrease is primarily attributed to decrease in the general obligation bonds.

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds (net of unamortized premium)	\$ 564,339,525	\$ 573,979,644
Certificates of participation (net of unamortized premium)	22,344,271	23,703,556
Public Financing Authority bonds	58,530,000	61,225,000
Capital leases	7,634,785	8,577,876
Property and liability	538,615	865,156
Claims liability	20,036,000	17,787,000
Supplemental early retirement plan (SERP)	3,949,311	5,923,966
Net other postemployment benefits (OPEB) liability	65,727,544	62,121,359
Compensated absences	5,028,406	4,929,678
Total	\$ 748,128,457	\$ 759,113,235

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 \$564,339,525 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 has a net pension liability of \$618,129,251 versus \$608,323,074 last year, an increase of \$9,806,177, or 1.6 percent.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

Corona-Norco Unified School District has analyzed district data and has identified the following areas as those of greatest progress based on the California School Dashboard:

- Corona-Norco Unified School District was recognized as a California Exemplary School District, one of 18 school districts named from the 1,026 districts in California.
- CNUSD has been recognized once again as a 2019 Model School Attendance Review Board winner.
- CNUSD has 24 schools being recognized by Ed Trust West through their Education Equity Navigator as schools making progress with a focus on equity.
- Chronic Absenteeism has been an area of focus in CNUSD for the last few years. Efforts have been made through various avenues to improve this area concentrating on our Unduplicated Count students and Special Education.
- CNUSD reports a chronic absentee rate of 5.8 percent when compared with the California rate of nine percent.
- CNUSD provides support to district sites in the area of positive school environments using such programs as Positive Behavior Interventions and Supports Program (PSIS) as well as Leader in Me and Capturing Kids Hearts. This work has affected the suspension rates in the district resulting in 2.9 percent rate. California reports a 3.5 percent suspension rate.
- In terms of the progress of English Learners in the district in 2019, 75.5 percent of EL students were reported to be well or moderately-well developed as measured by the ELPAC as compared to 65.2 percent in California, state-wide.
- According to the California School Dashboard, CNUSD reports a graduation rate status of "High" at 94.4 percent of students completing high school. This represents an increase of 0.8 percent over last year. Subgroups reported in the green category on the California School Dashboard are English Learners, Foster Youth, Hispanic, Homeless and Socioeconomically Disadvantaged students. Increases in the graduation rates for these groups range from about one percent to almost seven percent. In the blue category are African American students, Filipino students, Two or More Races and White students.
- When considering students leaving the CNUSD TK-12 educational system, it is important that the students be college and career ready. The California School Dashboard reports that 51.7 percent of our students are considered College/Career Ready with 19.2 percent scoring at Approaching Prepared for College/Career.
- In the area of English Language Arts, grades three through eight and 11, CNUSD maintained its progress scoring in the "high" category on the California School Dashboard reported in December 2018. This information is based on the annual CAASPP state assessments.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- When considering academic progress in the area of Math, based on the December 2018 California School Dashboard, CNUSD scored in the "Medium" range having maintained progress when compared with the previous testing cycle.
- CNUSD has implemented the usage of iReady in grades TK to 6th grade to support continuous improvement at the classroom level. This initiative provides a consistent diagnostic assessment with information to teachers regarding mastery of standards. Additionally, the students engage in online lessons based on the diagnostic scores. Over 31,532 students engaged in the diagnostic assessments in Trimester 1 (2018) and 35,539 in Trimester 2 (2019). 79 percent of students report to be on or above grade level in Reading and 84 percent of students report to be on or above grade level based on iReady reports comparing Diagnostic 1 data with Diagnostic 2 data.
- CNUSD has seen significant gains for the at-risk students in the area of academic achievement. English Learners increased achievement in the areas of ELA (7.1 percent) and Math (3.5 percent) as measured by CAASPP scores. Foster Youth increased achievement in the areas of ELA (12.7 percent) and Math (6.4 percent) as measured by CAASPP scores.
- Socioeconomically Disadvantaged students increased achievement in the areas of ELA (5.3 percent) and Math (two percent) as measured by CAASPP scores.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 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 three percent.
- Gap funding projected at 100 percent.
- Unduplicated pupil count projected at 47.9 percent.
- ADA decline of 100 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, 2019**

	Governmental Activities
ASSETS	
Deposits and investments	\$ 256,935,561
Receivables	20,550,542
Long-term receivables	64,275,000
Prepaid expenses	127,550
Stores inventories	293,235
Capital assets	
Land and construction in progress	321,947,942
Other capital assets	1,175,813,542
Less: Accumulated depreciation	<u>(521,968,256)</u>
Total Capital Assets	<u>975,793,228</u>
Total Assets	<u>1,317,975,116</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	9,644,289
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	1,804,100
Deferred outflows of resources related to pensions	<u>171,754,254</u>
Total Deferred Outflows of Resources	<u>183,202,643</u>
LIABILITIES	
Accounts payable	37,155,619
Accrued interest payable	9,177,616
Unearned revenue	1,730,298
Long-term obligations:	
Current portion of long-term obligations other than pensions	26,695,125
Noncurrent portion of long-term obligations other than pensions	<u>721,433,332</u>
Total Long-Term Liabilities	<u>748,128,457</u>
Aggregate net pension liability	<u>618,129,251</u>
Total Liabilities	<u>1,414,321,241</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	1,311,269
Deferred inflows of resources related to pensions	<u>35,446,450</u>
Total Deferred Inflows of Resources	<u>36,757,719</u>
NET POSITION	
Net investment in capital assets	458,862,762
Restricted for:	
Debt service	49,176,715
Capital projects	953,122
Educational programs	12,231,024
Other activities	9,275,105
Unrestricted	<u>(480,399,929)</u>
Total Net Position	<u>\$ 50,098,799</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, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 443,216,467	\$ -	\$ 73,602,557	\$ 2,113,488	\$ (367,500,422)
Instruction-related activities:					
Supervision of instruction	23,181,578	-	8,570,233	-	(14,611,345)
Instructional library, media, and technology	3,010,173	-	143,200	-	(2,866,973)
School site administration	47,753,854	-	4,019,209	-	(43,734,645)
Pupil services:					
Home-to-school transportation	14,655,057	-	521,578	-	(14,133,479)
Food services	19,503,731	4,534,763	13,354,026	-	(1,614,942)
All other pupil services	46,801,125	-	11,134,363	-	(35,666,762)
Administration:					
Data processing	6,475,891	-	274,729	-	(6,201,162)
All other administration	19,607,191	380,752	2,356,196	-	(16,870,243)
Plant services	54,486,913	-	1,726,883	-	(52,760,030)
Ancillary services	4,501,640	-	221,781	-	(4,279,859)
Enterprise services	23,601	-	-	-	(23,601)
Interest on long-term obligations	29,829,646	-	-	-	(29,829,646)
Other outgo	15,765,373	4,589,055	6,106,861	-	(5,069,457)
Total Governmental Activities	\$ 728,812,240	\$ 9,504,570	\$122,031,616	\$ 2,113,488	(595,162,566)
General revenues and subventions:					
					120,370,890
					33,525,780
					5,459,674
					374,461,643
					6,405,394
					30,678,135
					<u>570,901,516</u>
					Change in Net Position
					(24,261,050)
					74,359,849
					<u>\$ 50,098,799</u>

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 91,704,944	\$37,485,228	\$ 76,844,374	\$ 23,440,895	\$229,475,441
Receivables	17,205,764	305,149	-	2,855,814	20,366,727
Due from other funds	1,072,888	-	-	-	1,072,888
Prepaid expenditures	127,550	-	-	-	127,550
Stores inventories	97,192	-	-	196,043	293,235
Total Assets	\$ 110,208,338	\$37,790,377	\$ 76,844,374	\$ 26,492,752	\$251,335,841
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 24,130,443	\$11,422,092	\$ -	\$ 1,557,816	\$ 37,110,351
Due to other funds	-	-	-	1,072,888	1,072,888
Unearned revenue	1,416,138	-	-	314,160	1,730,298
Total Liabilities	25,546,581	11,422,092	-	2,944,864	39,913,537
Fund Balances:					
Nonspendable	429,742	-	-	205,163	634,905
Restricted	12,231,024	26,368,285	76,844,374	22,694,057	138,137,740
Committed	-	-	-	648,668	648,668
Assigned	60,402,095	-	-	-	60,402,095
Unassigned	11,598,896	-	-	-	11,598,896
Total Fund Balances	84,661,757	26,368,285	76,844,374	23,547,888	211,422,304
Total Liabilities and Fund Balances	\$ 110,208,338	\$37,790,377	\$ 76,844,374	\$ 26,492,752	\$251,335,841

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balance - Governmental Funds	\$ 211,422,304
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:	\$ 1,497,761,484
Accumulated depreciation is:	<u>(521,968,256)</u>
Net Capital Assets	975,793,228
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 \$1,815,000 were received, leaving a balance of \$64,275,000.	
	64,275,000
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.	
	9,644,289
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.	
	(9,177,616)
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.	
	7,562,667
Deferred outflows of resources related to OPEB 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 OPEB at year-end consist of the amount paid by the District for OPEB as the benefits come due subsequent to measurement date.	
	1,804,100
Deferred inflows of resources related to OPEB 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 changes of assumptions	
	(1,311,269)

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, 2019**

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	\$ 59,926,478	
Net change in proportionate share of net pension liability	11,810,363	
Differences between projected and actual earnings on pension plan investments	1,122,058	
Differences between expected and actual experience in the measurement of the total pension liability	10,460,618	
Changes of assumptions	<u>88,434,737</u>	
Total Deferred Outflows of Resources Related to Pensions		\$ 171,754,254

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:

Net change in proportionate share of net pension liability	(9,920,598)	
Differences between projected and actual earnings on pension plan investments	(18,534,261)	
Differences between expected and actual experience in the measurement of the total pension liability	<u>(6,991,591)</u>	
Total Deferred Inflows of Resources Related to Pensions		(35,446,450)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. (618,129,251)

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	(465,480,037)	
Premium on issuance of bonds	(37,472,487)	
Certificates of participation	(21,835,000)	
Premium on issuance of certificates	(509,271)	
Corona-Norco Unified School District Public Financing Authority bonds	(58,530,000)	
Capital lease	(7,634,785)	
Property and liability	(538,615)	
Supplemental early retirement plan (SERP)	(3,949,311)	
Net other postemployment benefits (OPEB) liability	(65,727,544)	
Compensated absences (vacation)	(5,028,406)	
In addition, the District has issued 'capital appreciation' bonds.		
The accretion of interest on these bonds to date is:	<u>(61,387,001)</u>	
Total Long-Term Obligations		<u>(728,092,457)</u>

Total Net Position - Governmental Activities **\$ 50,098,799**

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, 2019**

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	\$472,902,835	\$ -
Federal sources	23,207,818	-
Other State sources	112,389,396	-
Other local sources	9,835,768	1,600,114
Total Revenues	<u>618,335,817</u>	<u>1,600,114</u>
EXPENDITURES		
Current		
Instruction	396,321,811	-
Instruction-related activities:		
Supervision of instruction	21,548,504	-
Instructional library, media, and technology	2,834,927	-
School site administration	43,877,450	-
Pupil services:		
Home-to-school transportation	13,876,884	-
Food services	8,739	-
All other pupil services	45,075,059	-
Administration:		
Data processing	6,080,882	-
All other administration	17,309,697	-
Plant services	50,121,528	-
Ancillary services	4,383,038	-
Other outgo	206,619	-
Facility acquisition and construction	-	69,460,130
Debt service		
Principal	943,091	-
Interest and other	184,905	-
Total Expenditures	<u>602,773,134</u>	<u>69,460,130</u>
Deficiency of Revenues Over Expenditures	<u>15,562,683</u>	<u>(67,860,016)</u>
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(311,061)	-
Net Financing Sources (Uses)	<u>(311,061)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	15,251,622	(67,860,016)
Fund Balances - Beginning	69,410,135	94,228,301
Fund Balances - Ending	<u>\$ 84,661,757</u>	<u>\$ 26,368,285</u>

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 472,902,835
769,781	13,928,941	37,906,540
222,664	5,143,849	117,755,909
34,394,854	43,089,341	88,920,077
<u>35,387,299</u>	<u>62,162,131</u>	<u>717,485,361</u>
-	2,192,025	398,513,836
-	-	21,548,504
-	-	2,834,927
-	1,230,060	45,107,510
-	-	13,876,884
-	18,909,632	18,918,371
-	-	45,075,059
-	-	6,080,882
-	3,168,895	20,478,592
-	90,475	50,212,003
-	-	4,383,038
-	15,558,754	15,765,373
-	9,148,143	78,608,273
15,625,000	4,005,000	20,573,091
18,371,241	3,981,568	22,537,714
<u>33,996,241</u>	<u>58,284,552</u>	<u>764,514,057</u>
<u>1,391,058</u>	<u>3,877,579</u>	<u>(47,028,696)</u>
-	4,811,245	4,811,245
-	(4,500,184)	(4,811,245)
-	311,061	-
<u>1,391,058</u>	<u>4,188,640</u>	<u>(47,028,696)</u>
75,453,316	19,359,248	258,451,000
<u>\$ 76,844,374</u>	<u>\$ 23,547,888</u>	<u>\$ 211,422,304</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, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ (47,028,696)
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	\$77,895,031
Depreciation expense	<u>(35,665,929)</u>
Net Expense Adjustment	42,229,102
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(104,119)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were more than the amounts earned by \$1,974,655. Vacation earned was more than the amounts used by \$98,728.	1,875,927
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.	(27,710,942)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.	(4,940,556)
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.	(1,815,000)
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.	326,541

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, 2019

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	\$15,625,000	
Certificates of participation	1,310,000	
Corona-Norco Unified School District Public Financing Authority bonds	2,695,000	
Capital lease	<u>943,091</u>	
Combined adjustment		\$ 20,573,091

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	2,066,189	
Amortization of deferred charges on refunding	<u>(593,831)</u>	
Combined adjustment		1,472,358

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 \$762,505, and second, \$8,001,785 of additional interest was accreted on the District's 'capital appreciation' general obligation bonds.

(8,764,290)

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.

(374,466)

Change in Net Position of Governmental Activities \$ (24,261,050)

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
ASSETS	
Current Assets	
Deposits and investments	\$ 27,460,120
Receivables	183,815
Total Assets	<u>27,643,935</u>
LIABILITIES	
Current Liabilities	
Accounts payable	45,268
Claim liabilities	2,817,711
Total Current Liabilities	<u>2,862,979</u>
Noncurrent Liabilities	
Noncurrent portion of claims liabilities	<u>17,218,289</u>
NET POSITION	
Restricted	<u>\$ 7,562,667</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, 2019**

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	\$ 4,931,039
OPERATING EXPENSES	
Payroll costs	337,475
Supplies and materials	3,167
Other operating cost	5,510,968
Total Operating Expenses	5,851,610
Operating Loss	(920,571)
NONOPERATING REVENUES	
Interest income	546,105
Change in Net Position	(374,466)
Total Net Position - Beginning	7,937,133
Total Net Position - Ending	\$ 7,562,667

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, 2019**

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessment made to other funds	\$ 4,910,457
Cash payments to employees for services	(337,475)
Cash payments for goods and services	41,850
Cash payments for insurance premiums	(3,261,968)
Net Cash Provided by Operating Activities	<u>1,352,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	494,692
Net Increase in Cash and Cash Equivalents	<u>1,847,556</u>
Cash and Cash Equivalents - Beginning	25,612,564
Cash and Cash Equivalents - Ending	<u>\$ 27,460,120</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (920,571)
Changes in assets and liabilities:	
Receivables	(20,582)
Accrued liabilities	45,017
Claims liability	<u>2,249,000</u>
NET CASH PROVIDED FOR OPERATING ACTIVITIES	<u>\$ 1,352,864</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, 2019**

	Agency Funds
	<u> </u>
ASSETS	
Deposits and investments	\$ 30,901,758
Receivables	83,399
Stores inventories	117,682
Total Assets	<u><u>\$ 31,102,839</u></u>
 LIABILITIES	
Accounts payable	\$ 195,900
Due to student groups	3,379,508
Due to other bondholders	27,527,431
Total Liabilities	<u><u>\$ 31,102,839</u></u>

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

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

Non-Major Governmental Funds

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

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

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

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Capital Facilities Fund 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 approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et, seq.). 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).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Basis of Accounting - Measurement Focus

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

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each segment of the 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2019, 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.

Store 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 store's 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 acquisition cost 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, five to 15 years.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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, 2019

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, for pension related items, and for OPEB 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 and for OPEB 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.

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2019, 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$71,635,966 of restricted net position which is restricted by enabling legislation.

Operating Revenues and Expenses

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Interfund Activity

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

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

Estimates

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

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 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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 the reporting periods beginning after December 15, 2018. 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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

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

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 256,935,561
Fiduciary funds	30,901,758
Total Deposits and Investments	<u>\$ 287,837,319</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 1,069,309
Cash in revolving	214,120
Investments	286,553,890
Total Deposits and Investments	<u>\$ 287,837,319</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

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, 2019

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, 2019

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	\$ 222,190,027	387
First American Treasury Obligation Money Market Funds	22,317,007	17
Federal Home Loan Banks Unsecured Senior Notes	445,116	12/11/2020
Federal Home Loan Banks Unsecured Senior Notes	968,216	3/11/2022
Federal Home Loan Banks Unsecured Senior Notes	892,982	11/15/2019
Federal Home Loan Banks Unsecured Senior Notes	343,094	9/11/2020
Federal Home Loan Banks Unsecured Senior Notes	418,752	2/18/2021
Federal Home Loan Banks Unsecured Senior Notes	1,909,086	7/1/2019
Federal Home Loan Mortgage Corporation Medium-Term Unsecured Senior Notes	301,140	7/15/2020
Federal Home Loan Mortgage Corporation Medium-Term Unsecured Senior Notes	877,110	7/27/2021
Federal Farm Credit Banks Unsecured Senior Notes	2,037,723	4/1/2021
Federal National Mortgage Association Unsecured Senior Notes	209,030	12/28/2020
Federal National Mortgage Association Unsecured Senior Notes	421,787	2/5/2020
Toyota Motor Credit Corporation Commercial Paper	208,642	8/23/2019
U.S. Treasury Notes	33,014,178	7/31/2019
Total	<u>\$ 286,553,890</u>	

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, other than First American Treasury Obligation Money Market Mutual Funds and Toyota Motor Credit Commercial Paper, which has been rated Aaa 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, 2019, the District's bank balance of \$8,819,346 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.

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019:

Investment Type	Reported Amount	Fair Value Measurements Using		Uncategorized
		Level 1 Inputs	Level 2 Inputs	
U.S. Agencies Securities	\$ 8,824,036	\$ -	\$ 8,824,036	\$ -
U.S. Treasury Notes	33,014,178	33,014,178	-	-
First American Treasury Obligation				
Money Market Mutual Funds	22,317,007	-	22,317,007	-
Toyota Motor Credit Commercial Paper	208,642	-	208,642	-
Riverside County Treasury Investment Pool	222,190,027	-	-	222,190,027
Total	<u>\$286,553,890</u>	<u>\$ 33,014,178</u>	<u>\$ 31,349,685</u>	<u>\$ 222,190,027</u>

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Federal Government						
Categorical aid	\$ 9,663,031	\$ -	\$ 2,352,877	\$ -	\$ 12,015,908	\$ -
State Government						
Categorical aid	1,897,628	-	467,711	-	2,365,339	-
Lottery	2,562,231	-	-	-	2,562,231	-
Special education	883,069	-	-	-	883,069	-
Local Government						
Interest	535,945	305,088	7,326	159,035	1,007,394	-
Other Local Sources	1,663,860	61	27,900	24,780	1,716,601	83,399
Total	<u>\$ 17,205,764</u>	<u>\$ 305,149</u>	<u>\$ 2,855,814</u>	<u>\$ 183,815</u>	<u>\$ 20,550,542</u>	<u>\$ 83,399</u>

NOTE 5 - LONG-TERM RECEIVABLES

The \$64,275,000 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, 2019

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 86,028,059	\$ -	\$ -	\$ 86,028,059
Construction in process	158,701,606	77,218,277	-	235,919,883
Total Capital Assets Not Being Depreciated	<u>244,729,665</u>	<u>77,218,277</u>	<u>-</u>	<u>321,947,942</u>
Capital Assets Being Depreciated				
Land improvements	77,444,743	-	-	77,444,743
Buildings and improvements	1,052,361,447	-	-	1,052,361,447
Furniture and equipment	46,317,061	676,754	986,463	46,007,352
Total Capital Assets Being Depreciated	<u>1,176,123,251</u>	<u>676,754</u>	<u>986,463</u>	<u>1,175,813,542</u>
Less Accumulated Depreciation				
Land improvements	48,535,106	3,371,893	-	51,906,999
Buildings and improvements	407,942,585	30,693,860	-	438,636,445
Furniture and equipment	30,706,980	1,600,176	882,344	31,424,812
Total Accumulated Depreciation	<u>487,184,671</u>	<u>35,665,929</u>	<u>882,344</u>	<u>521,968,256</u>
Governmental Activities Capital Assets, Net	<u>\$ 933,668,245</u>	<u>\$ 42,229,102</u>	<u>\$ 104,119</u>	<u>\$ 975,793,228</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
Instruction	\$ 31,012,466
Supervision of instruction	784,223
School site administration	641,637
Home-to-school transportation	748,577
Food services	19,417
All other pupil services	178,232
Data processing	142,586
All other general administration	712,930
Plant services	1,425,861
Total Depreciation Expenses	<u>\$ 35,665,929</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2019, between major governmental funds, non-major governmental funds, and non-major enterprise funds are as follows:

The balance of \$1,072,888 is due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from salaries, benefits, and other operating expenditure reimbursements.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer To	Transfer From		
	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-Major Governmental Funds	\$ 311,061	\$ 4,500,184	\$ 4,811,245

The General Fund transferred to the Child Development Non-Major Governmental Fund for an operating contribution.	\$ 311,061
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.	2,386,696
The County School Facilities Non-Major Governmental Fund transferred to the Capital Facilities Fund for qualifying capital expenditures.	2,113,488
	\$ 4,811,245

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Fiduciary Fund
Salaries and benefits	\$ 10,142,651	\$ -	\$ 89,134	\$ -	\$ 10,231,785	\$ -
LCFF apportionment	8,702,605	-	-	-	8,702,605	-
Supplies	845,983	350,671	370,534	-	1,567,188	-
Services	4,126,043	247,289	307,580	45,241	4,726,153	-
Capital outlay	-	10,824,126	704,230	-	11,528,356	-
Other vendor payables	313,161	6	86,338	27	399,532	195,900
Total	\$ 24,130,443	\$ 11,422,092	\$ 1,557,816	\$ 45,268	\$ 37,155,619	\$ 195,900

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 1,117,789	\$ -	\$ 1,117,789
State categorical aid	298,349	-	298,349
Other local	-	314,160	314,160
Total	\$ 1,416,138	\$ 314,160	\$ 1,730,298

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	\$ 534,490,253	\$ 8,001,785	\$ 15,625,000	\$ 526,867,038	\$ 17,240,000
Premium on issuance	39,489,391	-	2,016,904	37,472,487	-
2011 Refunding Certificates of Participation, Series A	23,145,000	-	1,310,000	21,835,000	1,375,000
Premium on issuance	558,556	-	49,285	509,271	-
Corona-Norco Unified School District Public Financing Authority Bonds	61,225,000	-	2,695,000	58,530,000	2,795,000
Capital leases	8,577,876	-	943,091	7,634,785	492,759
Property and liability	865,156	726,386	1,052,927	538,615	-
Claims liability	17,787,000	5,066,711	2,817,711	20,036,000	2,817,711
Supplemental early retirement plan (SERP)	5,923,966	-	1,974,655	3,949,311	1,974,655
Compensated absences	4,929,678	98,728	-	5,028,406	-
Net other postemployment benefits (OPEB) liability	62,121,359	7,344,539	3,738,354	65,727,544	-
	<u>\$ 759,113,235</u>	<u>\$ 21,238,149</u>	<u>\$ 32,222,927</u>	<u>\$ 748,128,457</u>	<u>\$ 26,695,125</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.
- 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 compensated absences are typically liquidated in the General Fund and other Non-Major Governmental Funds.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Dates	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Accreted	Redeemed	Bonds Outstanding End of Year
7/1/00	2025	4.15-6.04%	\$ 14,885,534	\$ 12,387,735	\$ 723,911	\$ 1,735,000	\$ 11,376,646
12/1/01	2027	3.00-5.72%	23,000,139	22,694,053	1,234,300	2,390,000	21,538,353
12/12/02	2028	2.50-5.71%	10,113,949	11,414,646	639,567	740,000	11,314,213
2/4/09	2034	3.00-6.11%	53,429,200	13,672,181	1,263,052	1,350,000	13,585,233
12/1/09	2040	2.50-7.08%	67,997,922	64,114,092	3,312,012	2,780,000	64,646,104
12/1/09	2037	4.77%	32,000,000	32,000,000	-	-	32,000,000
11/26/11	2028	2.00-5.50%	21,568,291	20,872,546	828,943	90,000	21,611,489
7/8/15	2045	2.50-5.00%	99,995,000	88,220,000	-	3,660,000	84,560,000
7/8/15	2032	3.00-5.00%	51,675,000	50,170,000	-	2,835,000	47,335,000
9/27/16	2040	3.00-4.00%	70,030,000	68,360,000	-	45,000	68,315,000
9/27/16	2036	4.000%	31,145,000	31,145,000	-	-	31,145,000
4/5/18	2048	3.00-5.00%	119,440,000	119,440,000	-	-	119,440,000
				<u>\$ 534,490,253</u>	<u>\$ 8,001,785</u>	<u>\$ 15,625,000</u>	<u>\$ 526,867,038</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, 2019, the principal balance outstanding of the 1998 General Obligation Bonds, Series B was \$11,376,646.

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, 2019, the principal balance outstanding on the 1998 General Obligation Bonds, Series C was \$21,538,353. Unamortized premium received on issuance of the bonds amounted to \$111,246 as of June 30, 2019.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the principal balance outstanding of the 1998 General Obligation Bonds, Series D was \$11,314,213. Unamortized premium received on issuance of the bonds amounted to \$83,569, as of June 30, 2019.

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, 2019, the principal balance outstanding on the 2006 General Obligation Bonds, Series B was \$13,585,233. Unamortized premium received on issuance of the bonds amounted to \$1,888,410, as of June 30, 2019.

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, 2019, the principal balance outstanding on the 2006 General Obligation Bonds, Series C was \$64,646,104. Unamortized premium received on issuance of the bonds amounted to \$6,808,239, as of June 30, 2019.

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, 2019, the principal balance outstanding on the 2006 General Obligation Bonds, Series D was \$32,000,000.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the principal balance outstanding on the 2006 General Obligation Bonds, Series E was \$21,611,489. Unamortized premium received on issuance as of June 30, 2019, amounted to \$109,501.

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, 2019, the principal balance outstanding was \$84,560,000, and unamortized premium on issuance was \$7,524,563.

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, 2019, the principal balance outstanding was \$47,335,000, and unamortized premium on issuance and deferred amount on refunding were \$4,294,242 and \$2,061,742, respectively.

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, 2019, the principal balance outstanding was \$68,315,000, and unamortized premium on issuance and deferred amount on refunding were \$6,940,376 and \$6,332,970, respectively.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the principal balance outstanding was \$31,145,000, and unamortized premium on issuance was \$3,137,850.

2014 General Obligation, Series B

On April 5, 2018, the Corona-Norco Unified School District issued 2014 General Obligation Bonds, Series B in the amount of \$119,440,000. The Series B bonds represent the second series of authorized bonds not to exceed \$396,000,000 to be issued under the measure as approved by the voters. The Series B bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$125,621,046 (representing the principal amount of \$119,440,000 and premium of \$6,870,640, less cost of issuance of \$689,594). The bonds have a final maturity which occurs on August 1, 2047 with interest rates of 3.0 to 5.0 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities. As of June 30, 2019, the principal balance outstanding was \$119,440,000, and unamortized premium on issuance was \$6,574,491.

The general obligation bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2020	\$ 16,909,662	\$ 330,338	\$ 19,160,138	\$ 36,400,138
2021	14,685,675	1,309,325	18,907,813	34,902,813
2022	15,226,254	2,253,746	19,195,783	36,675,783
2023	15,430,995	3,074,005	19,423,653	37,928,653
2024	16,802,693	4,007,307	19,107,384	39,917,384
2025-2029	85,696,410	23,833,590	88,223,334	197,753,334
2030-2034	72,118,113	5,161,994	73,784,128	151,064,235
2035-2039	143,555,976	27,454,008	46,217,352	217,227,336
2040-2044	81,241,260	7,643,740	22,130,194	111,015,194
2045-2048	65,200,000	-	5,487,075	70,687,075
Total	\$ 526,867,038	\$ 75,068,053	\$ 331,636,854	\$ 933,571,945

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the principal balance is \$21,835,000. Unamortized premium on issuance and deferred charge on refunding were \$509,271, and \$92,136, respectively.

Year Ending June 30,	Principal	Interest	Total
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	1,590,000	794,944	2,384,944
2024	1,650,000	735,319	2,385,319
2025-2029	9,385,000	2,542,144	11,927,144
2030-2032	4,880,000	384,980	5,264,980
Total	<u>\$ 21,835,000</u>	<u>\$ 7,282,219</u>	<u>\$ 29,117,219</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, 2019, the principal balance is \$58,530,000.

Fiscal Year	Principal	Current Interest to Maturity	Total
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	3,135,000	2,172,233	5,307,233
2024	3,280,000	2,034,829	5,314,829
2025-2029	18,690,000	7,850,252	26,540,252
2030-2034	20,210,000	3,345,830	23,555,830
2035-2037	4,470,000	225,816	4,695,816
Total	<u>\$ 58,530,000</u>	<u>\$ 22,909,076</u>	<u>\$ 81,439,076</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	\$ 9,970,821
Payments	<u>(1,127,996)</u>
Balance, End of Year	<u><u>\$ 8,842,825</u></u>

The capital leases have minimum lease payments as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2020	\$ 655,024
2021	655,024
2022	655,024
2023	655,024
2024	655,024
2025-2029	3,275,120
2030-2033	<u>2,292,585</u>
Total	8,842,825
Less: Amount Representing Interest	<u>(1,208,040)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 7,634,785</u></u>

Property and Liability

The District had outstanding reserves that amounted to \$538,615 at June 30, 2019 based on its self-insured retention amounts of \$250,000 for its property and liability programs.

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, 2019, amounted to \$20,036,000, using a discount factor of 1.0 percent.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, the balance of the obligation associated with the supplemental early retirement plan was \$3,949,311.

Future payments are as follows:

Year Ending June 30,	Annual Payment
2020	\$ 1,974,655
2021	1,974,656
Total	<u>\$ 3,949,311</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to \$5,028,406.

Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 62,129,465	\$ 1,804,100	\$ 1,311,269	\$ 5,334,586
Medicare Premium Payment (MPP) Program	3,598,079	-	-	(394,030)
Total	<u>\$ 65,727,544</u>	<u>\$ 1,804,100</u>	<u>\$ 1,311,269</u>	<u>\$ 4,940,556</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Plan Membership

As of June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	234
Active employees	4,081
	<hr/>
	4,315
	<hr/> <hr/>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The benefit payment requirements of Plan members and the District are established and may be amended by the District, the Corona-Norco Teachers Association (CNTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, CNTA, CSEA, and the unrepresented groups. For the measurement period June 30, 2018, the District paid \$1,934,463 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$62,129,465 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 was determined by applying update procedure to the financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total OPEB liability to June 30, 2018. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.80 percent for 2018
Healthcare cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 58,129,250
Service cost	5,075,939
Interest	2,268,600
Changes of assumptions	(1,409,861)
Benefit payments	(1,934,463)
Net change in total OPEB liability	<u>4,000,215</u>
Balance at June 30, 2018	<u>\$ 62,129,465</u>

Changes of assumptions reflect a change in the discount rate from 3.50 percent in 2018 to 3.80 percent in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.8%)	\$ 66,348,257
Current discount rate (3.8%)	62,129,465
1% increase (4.8%)	58,054,603

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.0%)	\$ 58,398,388
Current healthcare cost trend rate (4.0%)	62,129,465
1% increase (5.0%)	66,000,149

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,334,586. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Amount paid by the District for OPEB as the benefits come due subsequent to measurement date	\$ 1,804,100	\$ -
Changes of assumptions	-	1,311,269
Total	<u>\$ 1,804,100</u>	<u>\$ 1,311,269</u>

The deferred outflows of resources related to the amount paid by the District for OPEB as the benefits come due subsequent to measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

The deferred inflows of resources related to the changes of assumptions will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2020	\$ (98,592)
2021	(98,592)
2022	(98,592)
2023	(98,592)
2024	(98,592)
Thereafter	(818,309)
	<u>\$ (1,311,269)</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

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

Net OPEB Liability and OPEB Expense

At June 30, 2019, the District reported a liability of \$3,598,079 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.9400 percent, and 0.9489 percent, resulting in a net decrease in the proportionate share of 0.0089 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(394,030).

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	\$ 3,979,657
Current discount rate (3.87%)	3,598,079
1% increase (4.87%)	3,253,544

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 3,281,087
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	3,598,079
1% increase (4.7% Part A and 5.1% Part B)	3,939,002

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, 2019, of \$81,385,000.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 12 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 205,000	\$ -	\$ -	\$ 9,120	\$ 214,120
Stores inventories	97,192	-	-	196,043	293,235
Prepaid expenditures	127,550	-	-	-	127,550
Total Nonspendable	429,742	-	-	205,163	634,905
Restricted					
Legally restricted programs	12,231,024	-	-	1,712,438	13,943,462
Capital projects	-	26,368,285	-	8,326,662	34,694,947
Debt services	-	-	76,844,374	12,654,957	89,499,331
Total Restricted	12,231,024	26,368,285	76,844,374	22,694,057	138,137,740
Committed					
Adult education program	-	-	-	648,668	648,668
Assigned					
School site planned expenditures	5,873,243	-	-	-	5,873,243
LCAP planned expenditures	227,642	-	-	-	227,642
Instructional Materials					
Facilities maintenance and Technology	12,700,000	-	-	-	12,700,000
Local grants	217,096	-	-	-	217,096
Textbooks	4,000,000	-	-	-	4,000,000
Enrollment adjustment	37,384,114	-	-	-	37,384,114
Total Assigned	60,402,095	-	-	-	60,402,095
Unassigned					
Reserve for economic uncertainties	11,598,896	-	-	-	11,598,896
Total	\$84,661,757	\$26,368,285	\$76,844,374	\$23,547,888	\$211,422,304

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 13 - 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 16 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.

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 \$20,036,000 have been discounted at 1.0 percent as of June 30, 2019. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2019:

	Workers' Compensation
Liability Balance, July 1, 2017	\$ 16,871,000
Claims and changes in estimates	3,124,219
Claims payments	(2,208,219)
Liability Balance, June 30, 2018	17,787,000
Claims and changes in estimates	5,041,931
Claims payments	(2,792,931)
Liability Balance, June 30, 2019	\$ 20,036,000
Assets available to pay claims at June 30, 2019	\$ 27,643,935

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 14 - 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, 2019, 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 Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 481,330,411	\$ 134,375,857	\$ 33,625,903	\$ 59,106,253
CalPERS	136,798,840	37,378,397	1,820,547	28,531,167
Total	<u>\$ 618,129,251</u>	<u>\$ 171,754,254</u>	<u>\$ 35,446,450</u>	<u>\$ 87,637,420</u>

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, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

The STRP provisions and benefits in effect at June 30, 2019, 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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

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, 2019, are presented above and the District's total contributions were \$47,310,178.

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

At June 30, 2019, 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	\$ 481,330,411
State's proportionate share of the net pension liability associated with the District	275,584,171
Total	<u>\$ 756,914,582</u>

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.5237 percent and 0.5241 percent, resulting in a net decrease in the proportionate share of 0.0004 percent.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$59,106,253. In addition, the District recognized pension expense and revenue of \$32,374,926 for support provided by the State. At June 30, 2019, 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	\$ 47,310,178	\$ -
Net change in proportionate share of net pension liability	10,797,116	8,100,051
Differences between projected and actual earnings on pension plan investments	-	18,534,261
Differences between expected and actual experience in the measurement of the total pension liability	1,492,587	6,991,591
Changes of assumptions	74,775,976	-
Total	<u>\$ 134,375,857</u>	<u>\$ 33,625,903</u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 4,024,311
2021	(2,920,146)
2022	(15,549,524)
2023	(4,088,902)
Total	<u>\$ (18,534,261)</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 15,189,506
2021	15,189,506
2022	15,189,505
2023	12,950,945
2024	13,572,438
Thereafter	(117,863)
Total	<u>\$ 71,974,037</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating	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 7.10 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 (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 705,092,726
Current discount rate (7.10%)	481,330,411
1% increase (8.10%)	295,809,738

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are presented above and the total District contributions were \$12,616,300.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$136,798,840. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.5131 percent and 0.5178 percent, resulting in a net decrease in the proportionate share of 0.0047 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$28,531,167. At June 30, 2019, 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	\$ 12,616,300	\$ -
Net change in proportionate share of net pension liability	1,013,247	1,820,547
Differences between projected and actual earnings on pension plan investments	1,122,058	-
Differences between expected and actual experience in the measurement of the total pension liability	8,968,031	-
Changes of assumptions	13,658,761	-
Total	<u>\$ 37,378,397</u>	<u>\$ 1,820,547</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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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
2020	\$ 4,081,170
2021	975,976
2022	(3,127,644)
2023	(807,444)
Total	<u>\$ 1,122,058</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 10,288,002
2021	8,801,035
2022	2,730,455
Total	<u>\$ 21,819,492</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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+ 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. 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	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 (6.15%)	\$ 199,172,569
Current discount rate (7.15%)	136,798,840
1% increase (8.15%)	85,050,903

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.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 \$25,434,731 (9.828 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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund – Budgetary Comparison Schedule*.

NOTE 15 - 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, 2019.

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, 2019.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitments</u>	<u>Expected Date of Completion</u>
Jefferson Elementary School - School upgrades/admin/classrooms	\$ 23,665,869	July 2021
Norco Elementary School - School upgrades/admin/classrooms	19,186,294	July 2021
Rondo Elementary School - New Elementary School	8,710,846	July 2020
Roosevelt High School - Stem Academy High School	10,375,404	August 2019
Corona High School - Locker rooms	565,788	July 2019
	<u>\$ 62,504,201</u>	

NOTE 16 - 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, 2019, the District made a payment of \$1,738,885, \$14,185,399, and \$27,686,263 to SCR, SISC, and VEBA, respectively, for the coverage noted above.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 17 - SUBSEQUENT EVENTS

2014 General Obligation, Series C

On October 24, 2019, the Corona-Norco Unified School District issued 2014 General Obligation Bonds, Series C in the amount of \$86,000,000. The Series C bonds represent the third series of authorized bonds not to exceed \$396,000,000 to be issued under the measure as approved by the voters. The Series C bonds were issued as current interest bonds. The bonds have a final maturity which occurs on August 1, 2049 with interest rates of 3.0 to 5.0 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction, modernization, and equipping of District sites and facilities.

2019 General Obligation Refunding Bonds

On October 24, 2019, the Corona-Norco Unified School District issued 2019 General Obligation Refunding Bonds in the amount of \$34,175,000. The refunding bonds were issued as current interest bonds. The bonds have a final maturity which occurs on August 1, 2039 with interest rates of 1.732 to 3.191 percent. Proceeds from the sale of the bonds were used to provide advance refunding of the District's 2006 General Obligation Bonds, Series C and 2006 General Obligation Bonds, Series E.



REQUIRED SUPPLEMENTARY INFORMATION

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				(Negative)
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 468,210,982	\$ 472,157,012	\$ 472,902,835	\$ 745,823
Federal sources	21,320,450	26,878,549	23,207,818	(3,670,731)
Other State sources	91,023,632	87,521,660	112,389,396	24,867,736
Other local sources	1,962,096	8,370,783	9,835,768	1,464,985
Total Revenues ¹	582,517,160	594,928,004	618,335,817	23,407,813
EXPENDITURES				
Current				
Certificated salaries	290,259,564	292,447,634	291,641,663	805,971
Classified salaries	77,566,926	76,836,827	76,379,367	457,460
Employee benefits	126,915,929	129,628,323	151,795,151	(22,166,828)
Books and supplies	21,841,211	21,984,791	14,019,986	7,964,805
Services and operating expenditures	60,249,696	69,180,915	68,312,096	868,819
Other outgo	(1,030,561)	(989,987)	(816,272)	(173,715)
Capital outlay	577,072	325,150	313,147	12,003
Debt service - principal	1,671,534	1,626,313	943,091	683,222
Debt service - interest	172,738	172,738	184,905	(12,167)
Total Expenditures ¹	578,224,109	591,212,704	602,773,134	(11,560,430)
Deficiency of Revenues				
Over Expenditures	4,293,051	3,715,300	15,562,683	11,847,383
Other Financing Sources (Uses)				
Transfers out	(323,729)	(327,468)	(311,061)	16,407
NET CHANGE IN FUND BALANCE	3,969,322	3,387,832	15,251,622	11,863,790
Fund Balance - Beginning	69,410,135	69,410,135	69,410,135	-
Fund Balance - Ending	\$ 73,379,457	\$ 72,797,967	\$ 84,661,757	\$ 11,863,790

¹ On behalf payments of \$23,139,444 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 5,075,939	\$ 4,940,087
Interest	2,268,600	1,911,349
Changes of assumptions	(1,409,861)	-
Benefit payments	(1,934,463)	(1,860,061)
Net change in total OPEB liability	4,000,215	4,991,375
Total OPEB liability - beginning	58,129,250	53,137,875
Total OPEB liability - ending	<u>\$ 62,129,465</u>	<u>\$ 58,129,250</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>
District's total OPEB liability as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>

¹ The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

See accompanying note to required supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2019**

Year ended June 30,	2019	2018
District's proportion of the net OPEB liability	0.9400%	0.9489%
District's proportionate share of the net OPEB liability	\$ 3,598,079	\$ 3,992,109
District's covered payroll	N/A ¹	N/A ¹
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.40%	0.01%

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

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, 2019**

	<u>2019</u>	<u>2018</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.5237%</u>	<u>0.5241%</u>
District's proportionate share of the net pension liability	\$ 481,330,411	\$ 484,717,387
State's proportionate share of the net pension liability associated with the District	<u>275,584,171</u>	<u>286,754,711</u>
Total	<u>\$ 756,914,582</u>	<u>\$ 771,472,098</u>
District's covered payroll	<u>\$ 282,625,329</u>	<u>\$ 278,652,631</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>170.31%</u>	<u>173.95%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>69%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.5131%</u>	<u>0.5178%</u>
District's proportionate share of the net pension liability	<u>\$ 136,798,840</u>	<u>\$ 123,605,687</u>
District's covered payroll	<u>\$ 67,763,055</u>	<u>\$ 66,101,865</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>201.88%</u>	<u>186.99%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71%</u>	<u>72%</u>

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.5385%</u>	<u>0.5358%</u>	<u>0.5048%</u>
<u>\$ 435,505,985</u>	<u>\$ 360,710,997</u>	<u>\$ 294,991,961</u>
<u>247,925,788</u>	<u>190,776,354</u>	<u>178,128,882</u>
<u>\$ 683,431,773</u>	<u>\$ 551,487,351</u>	<u>\$ 473,120,843</u>
<u>\$ 271,662,311</u>	<u>\$ 248,682,275</u>	<u>\$ 230,677,774</u>
<u>160.31%</u>	<u>145.05%</u>	<u>127.88%</u>
<u>70%</u>	<u>74%</u>	<u>77%</u>
<u>0.5319%</u>	<u>0.5032%</u>	<u>0.4453%</u>
<u>\$ 105,049,259</u>	<u>\$ 74,173,770</u>	<u>\$ 50,553,827</u>
<u>\$ 64,746,375</u>	<u>\$ 56,284,674</u>	<u>\$ 47,346,544</u>
<u>162.25%</u>	<u>131.78%</u>	<u>106.77%</u>
<u>74%</u>	<u>79%</u>	<u>83%</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
CalSTRS		
Contractually required contribution	\$ 47,310,178	\$ 40,782,835
Contributions in relation to the contractually required contribution	<u>(47,310,178)</u>	<u>(40,782,835)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 290,603,059</u>	<u>\$ 282,625,329</u>
Contributions as a percentage of covered payroll	<u>16.28%</u>	<u>14.43%</u>
CalPERS		
Contractually required contribution	\$ 12,616,300	\$ 10,524,280
Contributions in relation to the contractually required contribution	<u>(12,616,300)</u>	<u>(10,524,280)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>69,849,961</u>	<u>67,763,055</u>
Contributions as a percentage of covered payroll	<u>18.062%</u>	<u>15.531%</u>

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

See accompanying note to required supplementary information.

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 35,054,501	\$ 29,149,366	\$ 22,082,986
<u>(35,054,501)</u>	<u>(29,149,366)</u>	<u>(22,082,986)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 278,652,631</u>	<u>\$ 271,662,311</u>	<u>\$ 248,682,275</u>
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 9,180,227	\$ 7,670,503	\$ 6,625,269
<u>(9,180,227)</u>	<u>(7,670,503)</u>	<u>(6,625,269)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 66,101,865</u>	<u>\$ 64,746,375</u>	<u>\$ 56,284,674</u>
<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget 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.

This 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.

At June 30, 2019, the District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual*	Excess
General Fund	<u>\$ 591,540,172</u>	<u>\$ 603,084,195</u>	<u>\$ 11,544,023</u>

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. 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.

Changes of Assumptions – The discount rate changed from 3.50 percent in 2018 to 3.80 percent in 2019.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

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

Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

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 of 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, 2019**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
Title I, Part A, Basic Grants Low-Income and Neglected School Improvement Funding for LEAs	84.010	14329	\$ 8,601,365
Title II, Part A, Supporting Effective Instruction	84.367	14341	1,223,038
Title III, Immigrant Student Program	84.365	15146	1,523
Title III, English Learner Student Program	84.365	14346	700,559
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	82,889
Early Intervention Grants	84.181	23761	148,995
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	303,333
Adult Basic Education & ELA	84.002A	14508	449,782
Adult Secondary Education	84.002	13978	153,450
English Literacy & Civics Education	84.002A	14109	173,698
Special Education (IDEA) Cluster			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	8,524,309
Preschool Grants, Part B, Sec 619	84.173	13430	169,096
Preschool Capacity Building, Part B, Sec 619	84.173A	13839	6,802
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	592,069
Preschool Staff Development, Part B, Sec 619	84.173A	13431	4,555
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	9,489
Subtotal - Special Education (IDEA) Cluster			<u>9,306,320</u>
Passed through California Department of Rehabilitation			
Workability II, Transition Partnership	84.126	10006	366,980
Total U.S. Department of Education			<u>21,516,150</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medicaid Cluster			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	906,145
Passed through Passed through County of Riverside			
Medi-Cal Administrative Activities	93.778	10060	1,386,246
Subtotal - Medicaid Cluster			<u>2,292,391</u>
Passed through CDE			
Child Care and Development Fund (CCDF) Cluster			
Federal Child Care - Center Based	93.596	13609	14,844
Federal Child Care - Center Based	93.575	15136	6,824
Subtotal - CCDF Cluster			<u>21,668</u>
Total U.S. Department of Health and Human Services			<u>2,314,059</u>

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 9,280,873
Basic School Breakfast Program	10.553	13390	38,127
Especially Needy Breakfast Program	10.553	13390	1,784,834
Summer Food Service Program	10.559	13004	129,433
Commodities	10.555	13396	1,320,182
Subtotal - Child Nutrition Cluster			<u>12,553,449</u>
Child and Adult Care Food Program	10.558	13666	576,894
Forest Reserve	10.665	10044	15,201
Total U.S. Department of Agriculture			<u>13,145,544</u>
U.S. DEPARTMENT OF JUSTICE			
STOP Threat Assessment Program	16.839	[1]	54,838
Total U.S. Department of Justice			<u>54,838</u>
Total Expenditures of Federal Awards			<u><u>\$ 37,030,591</u></u>

[1] Pass-Through Entity Number not available

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

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>
Mary Ybarra	President	2020
Jose W. Lalas, Ph.D.	Vice President	2020
Bill Pollock	Clerk	2020
John Zickefoose	Member	2022
Elizabeth Marroquin	Member	2022

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.	Associate Superintendent, Educational Services
Ben Odipo	Assistant Superintendent, Information Technology
Glen Gonsalves	Assistant Superintendent, Human Resources
Dalia Gadelmawla	Chief Business Officer

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	14,693.38	14,734.86
Fourth through sixth	11,469.88	11,471.67
Seventh and eighth	8,072.94	7,896.80
Ninth through twelfth	16,754.50	16,772.05
Total Regular ADA	<u>50,990.70</u>	<u>50,875.38</u>
Extended Year Special Education		
Transitional kindergarten through third	16.51	16.51
Fourth through sixth	11.31	11.31
Seventh and eighth	6.61	6.61
Ninth through twelfth	18.21	18.21
Total Extended Year Special Education	<u>52.64</u>	<u>52.64</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.58	0.78
Fourth through sixth	5.19	7.29
Seventh and eighth	6.96	9.94
Ninth through twelfth	28.73	38.59
Total Special Education, Nonpublic, Nonsectarian Schools	<u>41.46</u>	<u>56.60</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.03	0.09
Fourth through sixth	0.63	0.63
Seventh and eighth	0.77	0.85
Ninth through twelfth	3.37	3.47
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>4.80</u>	<u>5.04</u>
Total ADA	<u>51,089.60</u>	<u>50,989.66</u>

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019**

Grade Level	1986-87	2018-19	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,060	180	175	Complied
Grades 1 - 3	50,400				
Grade 1		50,785	180	175	Complied
Grade 2		50,785	180	175	Complied
Grade 3		50,785	180	175	Complied
Grades 4 - 6	54,000				
Grade 4		54,113	180	175	Complied
Grade 5		54,113	180	175	Complied
Grade 6		54,113	180	175	Complied
Grades 7 - 8	54,000				
Grade 7		60,500	180	-	Complied
Grade 8		60,500	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		64,988	180	-	Complied
Grade 10		64,988	180	-	Complied
Grade 11		64,988	180	-	Complied
Grade 12		64,988	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, 2019**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND				
Revenues	\$ 589,826,349	\$ 618,335,817	\$ 556,320,536	\$ 545,814,212
Other sources and transfers in	-	-	-	9,676,028
Total Revenues and Other Sources	589,826,349	618,335,817	556,320,536	555,490,240
Expenditures	603,506,881	602,773,134	566,926,714	556,026,052
Other uses and transfers out	342,044	311,061	373,682	371,367
Total Expenditures and Other Uses	603,848,925	603,084,195	567,300,396	556,397,419
INCREASE (DECREASE) IN FUND BALANCE	\$ (14,022,576)	\$ 15,251,622	\$ (10,979,860)	\$ (907,179)
ENDING FUND BALANCE	\$ 70,639,181	\$ 84,661,757	\$ 69,410,135	\$ 80,389,995
AVAILABLE RESERVES²	\$ 12,076,979	\$ 11,598,896	\$ 11,346,008	\$ 11,100,463
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	2.0%	2.0%	2.0%	2.0%
LONG-TERM OBLIGATIONS	N/A	\$748,128,457	\$759,113,235	\$649,135,830
K-12 AVERAGE DAILY ATTENDANCE AT P-2	51,066	51,090	51,248	51,264

The General Fund balance has increased by \$4,271,762 over the past two years. The fiscal year 2019-2020 budget projects a decrease of \$14,022,576 (16.6 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by \$98,992,627 over the past two years.

Average daily attendance has decreased by 174 over the past two years. Additional decline of 24 ADA is anticipated during fiscal year 2019-2020.

¹ Budget 2020 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.

³ On behalf payments of \$23,139,444 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
ASSETS			
Deposits and investments	\$ 827,440	\$ 9,903	\$ 375,472
Receivables	884,160	-	1,960,828
Stores inventories	-	-	196,043
Total Assets	\$ 1,711,600	\$ 9,903	\$ 2,532,343
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 108,153	\$ 9,903	\$ 182,473
Due to other funds	-	-	1,072,888
Unearned revenue	-	-	314,160
Total Liabilities	108,153	9,903	1,569,521
Fund Balances:			
Nonspendable	-	-	205,163
Restricted	954,779	-	757,659
Committed	648,668	-	-
Total Fund Balances	1,603,447	-	962,822
Total Liabilities and Fund Balances	\$ 1,711,600	\$ 9,903	\$ 2,532,343

See accompanying note to supplementary information.

Capital Facilities Fund	Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 2,172,421	\$ 7,373,540	\$ 12,682,119	\$ 23,440,895
10,826	-	-	2,855,814
-	-	-	196,043
<u>\$ 2,183,247</u>	<u>\$ 7,373,540</u>	<u>\$ 12,682,119</u>	<u>\$ 26,492,752</u>
\$ 1,230,125	\$ -	\$ 27,162	\$ 1,557,816
-	-	-	1,072,888
-	-	-	314,160
<u>1,230,125</u>	<u>-</u>	<u>27,162</u>	<u>2,944,864</u>
-	-	-	205,163
953,122	7,373,540	12,654,957	22,694,057
-	-	-	648,668
<u>953,122</u>	<u>7,373,540</u>	<u>12,654,957</u>	<u>23,547,888</u>
<u>\$ 2,183,247</u>	<u>\$ 7,373,540</u>	<u>\$ 12,682,119</u>	<u>\$ 26,492,752</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	Adult Education Fund	Child Development Fund	Cafeteria Fund
REVENUES			
Federal sources	\$ 776,930	\$ 21,668	\$ 13,130,343
Other State sources	2,153,827	46,332	830,202
Other local sources	42,289	-	4,794,028
Total Revenues	<u>2,973,046</u>	<u>68,000</u>	<u>18,754,573</u>
EXPENDITURES			
Current			
Instruction	1,812,964	379,061	-
Instruction-related activities:			
School site administration	1,230,060	-	-
Pupil services:			
Food services	-	-	18,909,632
Administration:			
All other administration	107,665	-	915,226
Plant services	90,475	-	-
Other outgo	-	-	-
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>3,241,164</u>	<u>379,061</u>	<u>19,824,858</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(268,118)</u>	<u>(311,061)</u>	<u>(1,070,285)</u>
Other Financing Sources (Uses)			
Transfers in	-	311,061	-
Transfers out	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>311,061</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(268,118)</u>	<u>-</u>	<u>(1,070,285)</u>
Fund Balances - Beginning	1,871,565	-	2,033,107
Fund Balances - Ending	<u>\$ 1,603,447</u>	<u>\$ -</u>	<u>\$ 962,822</u>

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 13,928,941
-	2,113,488	-	-	5,143,849
11,671,841	-	13,489,371	13,091,812	43,089,341
<u>11,671,841</u>	<u>2,113,488</u>	<u>13,489,371</u>	<u>13,091,812</u>	<u>62,162,131</u>
-	-	-	-	2,192,025
-	-	-	-	1,230,060
-	-	-	-	18,909,632
2,146,004	-	-	-	3,168,895
-	-	-	-	90,475
-	-	7,052,852	8,505,902	15,558,754
9,148,143	-	-	-	9,148,143
-	-	-	4,005,000	4,005,000
-	-	-	3,981,568	3,981,568
<u>11,294,147</u>	<u>-</u>	<u>7,052,852</u>	<u>16,492,470</u>	<u>58,284,552</u>
377,694	2,113,488	6,436,519	(3,400,658)	3,877,579
2,113,488	-	-	2,386,696	4,811,245
(2,386,696)	(2,113,488)	-	-	(4,500,184)
<u>(273,208)</u>	<u>(2,113,488)</u>	<u>-</u>	<u>2,386,696</u>	<u>311,061</u>
104,486	-	6,436,519	(1,013,962)	4,188,640
848,636	-	937,021	13,668,919	19,359,248
<u>\$ 953,122</u>	<u>\$ -</u>	<u>\$ 7,373,540</u>	<u>\$ 12,654,957</u>	<u>\$ 23,547,888</u>

CORONA-NORCO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2019

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 funds have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund. In addition, the District received Qualified School Construction Bonds – Interest Subsidy which are not required to be reported on the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 37,906,540
Medi-Cal Billing Option	93.778	(106,168)
Qualified School Construction Bonds - Interest Subsidy	N/A	(769,781)
Total Schedule of Expenditures of Federal Awards		<u>\$ 37,030,591</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, 2019

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 has met 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 1986-1987 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.



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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Corona-Norco Unified School District (the District) as of and for the year ended June 30, 2019, 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 9, 2019.

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 9, 2019.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2019



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

Governing Board
Corona-Norco Unified School District
Norco, California

Report on Compliance for Each Major Federal Program

We have audited Corona-Norco Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Corona-Norco Unified School District's major Federal programs for the year ended June 30, 2019. Corona-Norco Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Corona-Norco Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2019



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Corona-Norco Unified School District
Norco, California

Report on State Compliance

We have audited Corona-Norco Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 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, 2019.

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 *2018-2019 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

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, 2019.

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	No, 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
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
After/Before 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	Yes
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-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 an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District did not have any expenditures related to the California Clean Energy Jobs Act; therefore, we did not perform any procedures related to the California Clean Energy Jobs Act.

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

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

Eide Sully LLP

Rancho Cucamonga, California
December 9, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Programs or Clusters</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants</u>
<u>84.010</u>	<u>Low-Income and Neglected</u>
<u>84.010</u>	<u>School Improvement Funding for LEAs</u>
<u>84.367</u>	<u>Title II, Part A, Supporting Effective</u>
<u>84.367</u>	<u>Instruction</u>
<u>93.778</u>	<u>Medicaid Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,110,918</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>
---	-------------------

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

CORONA-NORCO UNIFIED SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Management
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, 2019, 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 9, 2019, on the government-wide financial statements of the District.

INTERNAL CONTROL

Local Revenue

Observation

Per review of the supporting documents pertaining to the local revenues, it was noted that 14 of 51 receipts tested were not deposited in a timely manner. Based on our review of sample selected for testing, it appears that the delay in deposits ranged from 11 to 73 days. Majority of the delay was due to the sites not submitting the deposits to the District office in a timely manner. The delay in cash deposits can increase the probability of theft, loss, or misappropriation.

Recommendation

The District should ensure that the sites are adhering to its established procedures related to frequency of deposits. The frequency of deposits may need to be increased depending on the volume and amount of cash collected. At a minimum, the sites should try and make a single deposit once a week to reduce the risks associated with theft, loss, and misappropriation.

Observation

Cash collections at certain school sites and departments are not accounted for properly. Cash collections are not supported by sub-receipts that tie the total to the cash count sheet. 14 of 51 receipts 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.

Recommendation

Pre-numbered triplicate receipts or logs should be utilized when collecting money. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies. The white copy of the receipt should be issued to the person turning in the monies, the yellow 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.

ASSOCIATED STUDENT BODY (ASB)

River Heights 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. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, two of seven vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
3. A master ticket log is not being used consistently by the ASB to account for all tickets on hand and used during the year.

Recommendations

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. 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.
3. 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.

Eleanor Roosevelt High School

Observations

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 10 of 30 deposits tested were not deposited in a timely manner. The delay in deposit ranged from approximately 11 to 41 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. Based on the review of the disbursement procedures, it was noted that two of 25 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. Based on the review of the ticket inventory control log and ticket sales summary, it was noted that for each event the revenue is short by one ticket. This is due to the way tickets are logged on the ticket inventory control log, the log records the last sold ticket as the ending ticket number. When the beginning and ending numbers are subtracted it doesn't account for the last ticket sold and therefore the amount being deposited is short by one ticket sale.
4. The ASB is giving PE uniforms to low-income students at no charge. Such transactions are viewed as gift of public funds.

Recommendations

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. 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. The ASB should revise their procedure to ensure that the beginning and ending ticket numbers agree to the actual numbers on the ticket roll. This will ensure the numbers of ticket sold and expected revenue is mathematically accurate.
4. PE uniforms provided at no cost to certain group of students benefit individual students and not the student body as a whole. PE uniforms purchased using ASB funds and issued by the ASB would generally constitute the act of gifting public funds. Using these two points as basis, the ASB should not engage in such activity.

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

Eide Bailly LLP

Rancho Cucamonga, California
December 9, 2019