



Financial Statements
June 30, 2022

Corona-Norco Unified School District

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Independent Auditor's Report

Governing Board
Corona-Norco Unified School District
Norco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Corona-Norco Unified School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corona-Norco Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Notes 1 and 20 to the financial statements, the Corona-Norco Unified School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and fund balance as of July 1, 2021, to restate beginning net position and fund balance. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corona-Norco Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corona-Norco Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corona-Norco Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's contributions for OPEB, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of 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 15, 2022

This section of Corona-Norco Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the year ended June 30, 2021. 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 and right-to-use leased assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. 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.

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, deferred outflows of resources, 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.

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 the governmental fund financial statements.

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 employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position* and the *Statement of Revenues, Expenses, and Changes in 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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$143,186,947 for the fiscal year ended June 30, 2022. Of this amount, \$(430,167,230) 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	
	2022	2021 as Restated
Assets		
Current and other assets	\$ 486,238,895	\$ 434,926,774
Capital assets	990,692,894	993,074,977
Total assets	1,476,931,789	1,428,001,751
Deferred outflows of resources	148,608,459	184,827,430
Liabilities		
Current liabilities	70,830,395	82,221,053
Long-term liabilities	1,131,732,381	1,481,936,808
Total liabilities	1,202,562,776	1,564,157,861
Deferred inflows of resources	279,790,525	27,918,015
Net Position		
Net investment in capital assets	441,271,944	424,932,341
Restricted	132,082,233	109,409,728
Unrestricted (deficit)	(430,167,230)	(513,588,764)
Total net position	\$ 143,186,947	\$ 20,753,305

The \$(430,167,230) in unrestricted net (deficit) position represents the accumulated results of all past years' operations. Restricted net position is 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.

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 16. 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	
	2022	2021*
Revenues		
Program revenues		
Charges for services and sales	\$ 7,072,316	\$ 6,602,223
Operating grants and contributions	238,263,732	201,185,455
Capital grants and contributions	6,772,948	1,131,065
General revenues		
Federal and State aid not restricted	382,100,206	358,315,171
Property taxes	194,711,554	184,587,009
Other general revenues	239,486	3,289,303
Total revenues	829,160,242	755,110,226
Expenses		
Instruction-related	486,174,794	533,067,142
Pupil services	83,915,366	81,756,272
Administration	28,050,585	42,240,225
Plant services	70,348,423	52,722,994
All other services	38,237,432	36,854,874
Total expenses	706,726,600	746,641,507
Change in net position	\$ 122,433,642	\$ 8,468,719

*The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$706,726,600. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$194,711,554 because the cost was paid by other governments and organizations who subsidized certain programs with charges for services, grants, and contributions (\$13,845,264). We paid for the remaining "public benefit" portion of our governmental activities with \$382,100,206 in Federal and State unrestricted funds and with \$239,486 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	
	2022	2021*	2022	2021*
Instruction-related	\$ 486,174,794	\$ 533,067,142	\$ (312,384,767)	\$ (390,710,978)
Pupil services	83,915,366	81,756,272	(33,852,862)	(49,385,092)
Administration	28,050,585	42,240,225	(22,561,271)	(27,715,375)
Plant services	70,348,423	52,722,994	(67,238,275)	(42,130,820)
All other services	38,237,432	36,854,874	(18,580,429)	(27,780,499)
Total	<u>\$ 706,726,600</u>	<u>\$ 746,641,507</u>	<u>\$ (454,617,604)</u>	<u>\$ (537,722,764)</u>

*The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB Statement No. 87 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, governmental funds reported a combined fund balance of \$338,226,377, which is an increase of \$64,300,505 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2021 as Restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	\$ 159,167,303	\$ 739,854,909	\$ 683,284,342	\$ 215,737,870
Building	32,101,050	15,532,396	18,613,281	29,020,165
Bond Interest and Redemption	56,715,987	42,576,565	41,924,511	57,368,041
Student Activity	3,002,102	6,198,418	5,301,780	3,898,740
Adult Education	2,142,222	3,114,817	3,232,130	2,024,909
Cafeteria	1,222,954	27,695,641	20,753,210	8,165,385
Capital Facilities	6,862,793	35,792,625	41,066,236	1,589,182
County School Facilities	1,132,417	6,664,175	1,131,065	6,665,527
Capital Project Component Unit	3,518,865	377	-	3,519,242
Debt Service Fund for Blended Component Units	<u>8,060,179</u>	<u>7,679,714</u>	<u>5,502,577</u>	<u>10,237,316</u>
Total	<u>\$ 273,925,872</u>	<u>\$ 885,109,637</u>	<u>\$ 820,809,132</u>	<u>\$ 338,226,377</u>

The primary reasons for these changes are the following:

Our General Fund is our principal operating fund. The fund balance in the General Fund increased primarily due to one-time Federal and State COVID-response funding, and various adjustments to other Federal, State, and local budgets.

The Cafeteria Fund is used to operate the food service program. The fund balance has increased due to the universal meal program.

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 28, 2022. (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 83).

CAPITAL AND DEBT ADMINISTRATION

Capital and Right-to-Use Leased Assets

At June 30, 2022, the District had \$990,692,894 in a broad range of capital assets (net of depreciation) and leased assets (net of amortization), including land, construction in progress, buildings and improvements, furniture and equipment. This amount represents a net decrease (including additions, deductions, depreciation, and amortization) of \$2,382,083 or 0.2% from last year (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as Restated
Land and construction in progress	\$ 421,534,650	\$ 407,367,571
Buildings and improvements	555,671,930	572,044,888
Equipment	12,768,756	12,549,029
Leased assets	717,558	1,113,489
Total	\$ 990,692,894	\$ 993,074,977

Construction in progress includes increases due to the on-going modernization and construction projects District-wide. We present more information regarding our capital and right-to-use leased assets in Note 6 of the financial statements.

Long-Term Liabilities other than Other Postemployment Benefits (OPEB) and Pension

At the end of this year, the District had \$695,846,350 in long-term liabilities other than OPEB and Pension versus \$719,834,387 last year, a decrease of 3.3%. The decrease is primarily attributed to on-going payments related to the general obligation bonds.

Table 6

	Governmental Activities	
	2022	2021 as Restated
Long-Term Liabilities		
General obligation bonds	\$ 561,654,041	\$ 578,026,089
Premium on issuance	34,434,362	36,479,694
Certificates of participation	15,553,000	17,090,000
Corona-Norco Unified School District Public financing authority bonds	50,170,000	53,895,000
Financed purchase agreements	6,124,172	6,638,566
Leases	730,434	1,113,489
Property and liability	1,259,562	1,072,283
Claims liability	20,381,182	21,363,000
Compensated absences	5,539,597	4,156,266
Total	<u>\$ 695,846,350</u>	<u>\$ 719,834,387</u>

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 liabilities debt of \$561,654,041 is below this statutorily-imposed limit.

We present more detailed information regarding our long-term liabilities in Note 12 of the financial statements.

OPEB and Pension Liabilities

At year end, the District has a net OPEB liability of \$90,317,797 versus \$91,005,083 last year, an decrease of \$687,286, or 0.7%.

At year end, the District has a net pension liability of \$345,568,234 versus \$671,097,338 last year, an decrease of \$325,529,104, or 45.2%.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2021-2022 ARE NOTED BELOW:

- ✓ California Distinguished School
 - John F Kennedy Middle College High School

- ✓ LifeChanger of the Year Award
 - Roosevelt High Counselor

- ✓ Riverside County Teacher of the Year
 - Ms. Kathleen Magana, Garretson Elementary School

- ✓ Golden Bell Award
 - Raney Intermediate School for their Raney ROCKS (Respect, Ownership, Commitment, Kindness) Program

- ✓ Rookie of the Year at the Construction Industry Education Foundation Design Build Competition
 - Orange Grove

- ✓ Winter CIF Championships
 - Centennial Boys Basketball: CIF Southern Section Boys Open Division Basketball Champions; CIF State Boys Open Division Basketball Championship
 - Santiago Girls Basketball: CIF Southern Section Division 2A Champions
 - Centennial Girls Water Polo: CIF Southern Section Division 5 Champions & CIF State Regional Division III Champions
 - Centennial Boys Wrestling: CIF Southern Section Coastal Division Champions

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2022-2023 year, the District Board and management used the following criteria:

The key assumptions in the final approved budget are:

- o Cost of Living Adjustment of 6.56%
- o Local Control Funding Formula (LCFF) investment of 6.7%
- o Unduplicated pupil percentage projected at 50.0%
- o Projected ADA decline of 500
- o Employer Fixed Cost increase of STRS and PERS
- o Increase for Step and Column advancement
- o Increase for contracted services cost

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 Dalia Gadelmawla, the Assistant Superintendent, Business Services, at Corona-Norco Unified School District, 2820 Clark Avenue, Norco, California 92860 or via email at Dalia.GadElMawla@cnusd.k12.ca.us.

Corona-Norco Unified School District
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Deposits and investments	\$ 372,722,768
Receivables	59,946,683
Long-term receivables	51,726,711
Prepaid expense	165,188
Stores inventories	580,416
Lease receivables	1,097,129
Capital assets not depreciated	421,534,650
Capital assets, net of accumulated depreciation	568,440,686
Right-to-use leased assets, net of accumulated amortization	717,558
Total assets	1,476,931,789
Deferred Outflows of Resources	
Deferred charge on refunding	23,780,894
Deferred outflows of resources related to OPEB	12,348,993
Deferred outflows of resources related to pensions	112,478,572
Total deferred outflows of resources	148,608,459
Liabilities	
Accounts payable	45,167,956
Interest payable	8,461,665
Unearned revenue	17,200,774
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	32,227,091
Long-term liabilities other than OPEB and pensions due in more than one year	663,619,259
Other postemployment benefits (OPEB) liability	90,317,797
Aggregate net pension liability	345,568,234
Total liabilities	1,202,562,776
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	7,990,891
Deferred inflows of resources related to pensions	270,702,505
Deferred inflows of resources related to leases	1,097,129
Total deferred inflows of resources	279,790,525
Net Position	
Net investment in capital assets	441,271,944
Restricted for	
Debt service	59,143,692
Capital projects	8,254,709
Educational programs	39,229,087
Self insurance	12,438,766
Other activities	13,015,979
Unrestricted (deficit)	(430,167,230)
Total net position	\$ 143,186,947

Corona-Norco Unified School District
Statement of Activities
Year Ended June 30, 2022

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	\$ 414,877,984	\$ 3,078	\$141,132,729	\$ 6,772,948	(266,969,229)
Instruction-related activities					
Supervision of instruction	23,916,382	2,850	19,662,165	-	(4,251,367)
Instructional library, media, and technology	3,126,095	-	130,419	-	(2,995,676)
School site administration	44,254,333	-	6,085,838	-	(38,168,495)
Pupil services					
Home-to-school transportation	15,624,706	-	574,193	-	(15,050,513)
Food services	20,089,612	-	28,003,811	-	7,914,199
All other pupil services	48,201,048	131,720	21,352,780	-	(26,716,548)
Administration					
Data processing	7,476,918	-	506,154	-	(6,970,764)
All other administration	20,573,667	239,770	4,743,390	-	(15,590,507)
Plant services	70,348,423	-	3,110,148	-	(67,238,275)
Ancillary services	9,649,883	-	6,491,635	-	(3,158,248)
Enterprise services	16,087	-	-	-	(16,087)
Interest on long-term liabilities	27,676,960	-	-	-	(27,676,960)
Other outgo	894,502	6,694,898	6,470,470	-	12,270,866
Total governmental activities	<u>\$ 706,726,600</u>	<u>\$ 7,072,316</u>	<u>\$238,263,732</u>	<u>6,772,948</u>	<u>(454,617,604)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					143,643,732
Property taxes, levied for debt service					43,547,963
Taxes levied for other specific purposes					7,519,859
Federal and State aid not restricted to specific purposes					382,100,206
Interest and investment earnings					(3,836,047)
Miscellaneous					<u>4,075,533</u>
Subtotal, general revenues and subventions					<u>577,051,246</u>
Change in Net Position					122,433,642
Net Position - Beginning, as Restated					<u>20,753,305</u>
Net Position - Ending					<u>\$ 143,186,947</u>

Corona-Norco Unified School District
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 217,806,728	\$ 30,746,546	\$ 57,368,041	\$ 34,043,567	\$ 339,964,882
Receivables	55,518,685	49,778	-	4,316,149	59,884,612
Due from other funds	1,149,312	-	-	-	1,149,312
Prepaid expenditures	165,188	-	-	-	165,188
Stores inventories	197,844	-	-	382,572	580,416
Lease receivables	1,097,129	-	-	-	1,097,129
Total assets	\$ 275,934,886	\$ 30,796,324	\$ 57,368,041	\$ 38,742,288	\$ 402,841,539
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 42,389,868	\$ 1,776,159	\$ -	\$ 1,001,920	\$ 45,167,947
Due to other funds	-	-	-	1,149,312	1,149,312
Unearned revenue	16,710,019	-	-	490,755	17,200,774
Total liabilities	59,099,887	1,776,159	-	2,641,987	63,518,033
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	1,097,129	-	-	-	1,097,129
Fund Balances					
Nonspendable	568,032	-	-	402,347	970,379
Restricted	39,229,087	29,020,165	57,368,041	35,027,246	160,644,539
Committed	76,000,000	-	-	-	76,000,000
Assigned	86,275,064	-	-	670,708	86,945,772
Unassigned	13,665,687	-	-	-	13,665,687
Total fund balances	215,737,870	29,020,165	57,368,041	36,100,301	338,226,377
Total liabilities, deferred inflows of resources, and fund balances	\$ 275,934,886	\$ 30,796,324	\$ 57,368,041	\$ 38,742,288	\$ 402,841,539

Corona-Norco Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds \$338,226,377

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	\$1,617,471,978
Accumulated depreciation is	<u>(627,496,642)</u>

Net capital assets	989,975,336
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Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of right-to-use leased assets is	1,113,489
Accumulated amortization is	<u>(395,931)</u>

Net right-to-use leased assets	717,558
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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.

51,726,711

In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.

(8,461,665)

An internal service fund is used by 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 in the statement of net position.

12,438,766

Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	23,780,894
Other postemployment benefits (OPEB)	12,348,993
Net pension liability	<u>112,478,572</u>

Total deferred outflows of resources	148,608,459
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Corona-Norco Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2022

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to

Net Other postemployment benefits liability	\$ (7,990,891)
Net pension liability	<u>(270,702,505)</u>

Total deferred inflows of resources	(278,693,396)
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Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(345,568,234)
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The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(90,317,797)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds	(498,729,283)
Premium on issuance of general obligation bonds	(34,434,362)
Certificates of participation	(15,553,000)
Corona-Norco Unified School District Public Financing Authority bonds	(50,170,000)
Financed purchase agreement	(6,124,172)
Property and liability	(1,259,562)
Leases	(730,434)
Compensated absences (vacations)	(5,539,597)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(62,924,758)</u>
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Total long-term liabilities	<u>(675,465,168)</u>
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Total net position - governmental activities	<u><u>\$143,186,947</u></u>
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Corona-Norco Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	\$ 511,943,806	\$ -	\$ -	\$ -	\$ 511,943,806
Federal sources	89,183,563	-	-	26,875,550	116,059,113
Other State sources	129,650,311	-	238,173	10,532,942	140,421,426
Other local sources	9,077,229	9,401,331	42,338,392	33,284,275	94,101,227
Total revenues	<u>739,854,909</u>	<u>9,401,331</u>	<u>42,576,565</u>	<u>70,692,767</u>	<u>862,525,572</u>
Expenditures					
Current					
Instruction	433,812,822	-	-	1,492,364	435,305,186
Instruction-related activities					
Supervision of instruction	25,901,266	-	-	-	25,901,266
Instructional library, media, and technology	2,829,188	-	-	-	2,829,188
School site administration	47,474,456	-	-	1,366,772	48,841,228
Pupil services					
Home-to-school transportation	15,676,152	-	-	-	15,676,152
Food services	405,211	-	-	20,278,206	20,683,417
All other pupil services	54,020,924	-	-	176,348	54,197,272
Administration					
Data processing	7,676,634	-	-	-	7,676,634
All other administration	18,375,574	-	-	2,137,635	20,513,209
Plant services	61,346,273	-	-	110,631	61,456,904
Ancillary services	4,728,095	-	-	5,301,780	10,029,875
Other outgo	108,539	-	-	785,963	894,502
Enterprise services	11,893	-	-	-	11,893
Facility acquisition and construction	9,373,874	18,613,281	-	15,939,261	43,926,416
Debt service					
Principal	897,449	-	23,365,000	5,435,000	29,697,449
Interest and other	645,992	-	18,559,511	1,483,959	20,689,462
Total expenditures	<u>683,284,342</u>	<u>18,613,281</u>	<u>41,924,511</u>	<u>54,507,919</u>	<u>798,330,053</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>56,570,567</u>	<u>(9,211,950)</u>	<u>652,054</u>	<u>16,184,848</u>	<u>64,195,519</u>
Other Financing Sources (Uses)					
Transfers in	-	6,131,065	-	-	6,131,065
Other sources - proceeds from certificates of participation (COP)	-	-	-	16,453,000	16,453,000
Transfers out	-	-	-	(6,131,065)	(6,131,065)
Other uses - payment to refunded COP escrow agent	-	-	-	(16,348,014)	(16,348,014)
Net Financing Sources (Uses)	<u>-</u>	<u>6,131,065</u>	<u>-</u>	<u>(6,026,079)</u>	<u>104,986</u>
Net Change in Fund Balances	56,570,567	(3,080,885)	652,054	10,158,769	64,300,505
Fund Balance - Beginning, as Restated	<u>159,167,303</u>	<u>32,101,050</u>	<u>56,715,987</u>	<u>25,941,532</u>	<u>273,925,872</u>
Fund Balance - Ending	<u>\$ 215,737,870</u>	<u>29,020,165</u>	<u>\$ 57,368,041</u>	<u>\$ 36,100,301</u>	<u>\$ 338,226,377</u>

Corona-Norco Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 64,300,505

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 and amortization expenses in the Statement of Activities. This is the amount by which depreciation and amortization expenses exceeds capital outlays in the period.

Depreciation and amortization expenses	\$ (36,128,483)
Capital outlays	<u>33,783,802</u>

Net expense adjustment	(2,344,681)
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Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(37,402)
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measure by the amount of financial resources used (essentially, the amounts actually paid). This is the difference between vacation earned and used.	(1,383,331)
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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.	45,936,125
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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.	(6,534,169)
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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.	(2,513,289)
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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 liabilities.	(187,279)
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Corona-Norco Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2022

Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

This year the District issued the following debt

Certificates of participation	\$ (16,453,000)
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Governmental funds report the effect of premiums and deferred charges on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items

Deferred charge on refunding	25,526
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Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities

General obligation bonds	23,365,000
Certificates of participation	17,990,000
Public financing authority bonds	3,725,000
Leases	383,055
Financed purchase agreements	514,394

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	2,045,332
Amortization of deferred charge on refunding	(1,489,780)

Interest on long-term liabilities 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, certificates of participation and public financing authority bonds increased by \$550,098, and second, \$6,992,952 of accumulated interest was accreted on the District's capital appreciation general obligation bonds.

(7,543,050)

An internal service fund is used by management to charge the costs of the self-insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

2,592,198

Change in net position of governmental activities

\$ 122,391,154

Corona-Norco Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2022

	Governmental Activities
	Internal Service Fund
Assets	
Current assets	
Deposits and investments	\$ 32,757,886
Receivables	62,071
Total assets	32,819,957
Liabilities	
Current liabilities	
Accounts payable	9
Current portion of claims liabilities	2,357,583
Total current liabilities	2,357,592
Noncurrent liabilities	
Claims liabilities	18,023,599
Total liabilities	20,381,191
Net Position	
Restricted	\$ 12,438,766

Corona-Norco Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2022

	Governmental Activities
	Internal Service Fund
Operating Revenues	
Charges for services	\$ 5,513,295
Operating Expenses	
Payroll costs	386,988
Supplies and materials	12,257
Claims and claims administration	2,357,583
Credit for estimated unpaid claims	(981,818)
Other operating cost	653,677
Total operating expenses	2,428,687
Operating Income	3,084,608
Nonoperating Revenues (Expenses)	
Fair market value adjustments	(617,971)
Interest income	125,561
Total nonoperating expenses	(492,410)
Change in Net Position	2,592,198
Total Net Position - Beginning	9,846,568
Total Net Position - Ending	\$ 12,438,766

Corona-Norco Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

	Governmental Activities
	Internal Service Fund
Operating Activities	
Cash received from assessment made to other funds	\$ 5,513,295
Cash payments to employees for services	(386,988)
Cash payments for goods and services	(12,295)
Cash payment for claims and claims administration	(2,349,587)
Cash payments for other activities	(653,677)
Net Cash From Operating Activities	2,110,748
Investing Activities	
Net loss on investments	(532,570)
Net Change in Cash and Cash Equivalents	1,578,178
Cash and Cash Equivalents, Beginning	31,179,708
Cash and Cash Equivalents, Ending	\$ 32,757,886
Reconciliation of Operating Income to Net Cash From Operating Activities	
Operating income	\$ 3,084,608
Changes in assets and liabilities	
Receivables	7,996
Accounts payable	(38)
Claim liability	(981,818)
Net Cash From Operating Activities	\$ 2,110,748

Corona-Norco Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2022

	<u>Custodial Funds</u>
Assets	
Deposits and investments	24,451,661
Receivables	<u>22,053</u>
Total assets	<u>\$ 24,473,714</u>
Liabilities	
Accounts payable	<u>\$ 16,144</u>
Net Position	
Restricted for individuals, organizations, and other governments	<u>\$ 24,457,570</u>

Corona-Norco Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2022

	Custodial Funds
Additions	
Contributions	
Special assessments	\$ 11,413,767
Other	4,446,318
Total contributions	15,860,085
Investment earnings	
Interest	62,310
Total additions	15,922,395
Deductions	
Payments to bondholders	9,862,888
Services	2,561,816
Contributions to other governments	13,113,100
Total deductions	25,537,804
Net Decrease in Fiduciary Net Position	(9,615,409)
Net Position - Beginning	34,072,979
Net Position - Ending	\$ 24,457,570

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 30 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 described below 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*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* 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 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 Authority, and the Corporation as component units of the District. Accordingly, the financial activities of the 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 Component Units. All debt instruments issued by the Corporation and the Authority are included as long-term liabilities in the government-wide financial statement.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to 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.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **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.
- **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).

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 IA), 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 liabilities.

- **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 goods 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 resources held for the benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. The District does not have any trust funds. Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds are related to funds held for various Community Facility 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 and amortization of leases assets. 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 governmental funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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

and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

- **Proprietary Funds** Proprietary Funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. 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 revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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. Principal and interest on general long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

Investments 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.

Store Inventories

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 when consumed rather than when purchased.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 25 to 50 years; equipment, five to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract.

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 Liabilities

All payables, accrued liabilities, and long-term liabilities 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 liabilities of the governmental 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs and Premiums

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums are recognized in the period the bonds are issued. 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 in the period the bonds are issued.

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, for OPEB related items, and for leases.

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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

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. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Leases

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Fund Balances - Governmental Funds

As of June 30, 2022, 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 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 resolution or other actions as approved by the governing board.

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. 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 \$132,082,233 of net position restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

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

Implementation of GASB Statement No. 87

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires 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. The effect of the implementation of this standard on beginning net position is disclosed in Note 20 and the additional disclosures required by this standard is included in Notes 7 and 12.

Implementation of GASB Statement No. 92

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

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

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

The provisions of this Statement have been implemented as of June 30, 2022.

Implementation of GASB Statement No. 93

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

Note 2 - Note 2 – Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2022, consist of the following:

Governmental funds	\$ 339,964,882
Proprietary funds	32,757,886
Fiduciary funds	<u>24,451,661</u>
Total deposits and investments	<u><u>\$ 397,174,429</u></u>

Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 11,536,873
Cash in revolving	224,775
Investments	<u>385,412,781</u>
Total deposits and investments	<u><u>\$ 397,174,429</u></u>

Policies and Practices

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

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

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

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

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 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	\$ 363,111,603	434
First American Treasury Obligation Money Market Funds	19,262,719	28
Fannie Mae Notes	303,891	11/7/2025
Fannie Mae Notes	201,064	11/7/2022
Federal Home Loans Mortgage Corporation Notes	321,371	12/4/2023
Federal Home Loans Mortgage Corporation Notes	826,250	4/20/2023
Federal Home Loans Bank Note	440,659	8/15/2024
Exxon Mobil Corporation Commercial Paper	534,326	7/16/2022
Toyota Credit De Puerto Rico Commercial Paper	410,898	11/14/2022
Total	\$ 385,412,781	

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, 2022, other than Exxon Mobil Corporation Commercial Paper and Toyota Credit de Puerto Rico Commercial Paper, which have been rated P-1.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, the District's bank balance of \$18,007,051 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

The District's fair value measurements are as follows at June 30, 2022:

Investment Type	Reported Amount	Fair Value Measurements Using		Uncategorized
		Level 1 Inputs	Level 2 Inputs	
U.S. Agencies Securities	\$ 2,093,235	\$ 2,093,235	\$ -	\$ -
First American Treasury Obligation Money	19,262,719	-	19,262,719	-
Exxon Mobil Corporation Commercial Paper	534,326	-	534,326	-
Toyota Credit De Puerto Rico Commercial Paper	410,898	-	410,898	-
Riverside County Treasury Investment Pool	<u>363,111,603</u>	<u>-</u>	<u>-</u>	<u>363,111,603</u>
Total	<u><u>\$ 385,412,781</u></u>	<u><u>\$ 2,093,235</u></u>	<u><u>\$ 20,207,943</u></u>	<u><u>\$ 363,111,603</u></u>

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

Note 4 - Receivables

Receivables at June 30, 2022, 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 Funds
Federal Government						
Categorical aid	\$ 45,824,474	\$ -	\$ 3,794,259	\$ -	\$ 49,618,733	\$ -
State Government						
LCFF apportionment	45,542	-	-	-	45,542	-
Categorical aid	2,889,703	-	376,946	-	3,266,649	-
Lottery	3,005,417	-	-	-	3,005,417	-
Special education	221,003	-	-	-	221,003	-
Local Government						
Interest	379,159	49,778	25,637	62,071	516,645	22,053
Other local sources	3,153,387	-	119,307	-	3,272,694	-
	<u>\$ 55,518,685</u>	<u>\$ 49,778</u>	<u>\$ 4,316,149</u>	<u>\$ 62,071</u>	<u>\$ 59,946,683</u>	<u>\$ 22,053</u>
Total						

Note 5 - Long-Term Receivables

The \$51,726,711 in 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 defease outstanding CFDs' special tax revenue bonds.

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021 as Restated	Additions	Deductions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 84,401,059	\$ -	\$ -	\$ 84,401,059
Construction in progress	322,966,512	33,613,957	(19,446,878)	337,133,591
Total capital assets not being depreciated	407,367,571	33,613,957	(19,446,878)	421,534,650
Capital assets being depreciated				
Land improvements	77,444,743	-	-	77,444,743
Buildings and improvements	1,052,828,811	17,891,502	-	1,070,720,313
Furniture and equipment	46,795,093	1,725,221	(748,042)	47,772,272
Total capital assets being depreciated	1,177,068,647	19,616,723	(748,042)	1,195,937,328
Total capital assets	1,584,436,218	53,230,680	(20,194,920)	1,617,471,978
Accumulated depreciation				
Land improvements	(58,442,852)	(3,215,768)	-	(61,658,620)
Buildings and improvements	(499,785,814)	(31,048,692)	-	(530,834,506)
Furniture and equipment	(34,246,064)	(1,468,092)	710,640	(35,003,516)
Total accumulated depreciation	(592,474,730)	(35,732,552)	710,640	(627,496,642)
Net depreciable capital assets	584,593,917	(16,115,829)	(37,402)	568,440,686
Right-to-use leased assets being amortized				
Buildings and improvements	202,484	-	-	202,484
Furniture and equipment	911,005	-	-	911,005
Total right-to-use leased assets being amortized	1,113,489	-	-	1,113,489
Accumulated amortization				
Buildings and improvements	-	(47,643)	-	(47,643)
Furniture and equipment	-	(348,288)	-	(348,288)
Total accumulated amortization	-	(395,931)	-	(395,931)
Net right-to-use leased assets	1,113,489	(395,931)	-	717,558
Governmental activities capital assets and right-to-use leased assets, net	\$ 993,074,977	\$ 17,102,197	\$ (19,484,280)	\$ 990,692,894

Depreciation and amortization expenses were charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 31,070,395
Supervision of instruction	785,688
School site administration	642,836
Home-to-school transportation	749,976
Food services	19,454
All other pupil services	178,565
Data processing	142,852
All other administration	1,110,192
Plant services	1,428,525
	<u>1,428,525</u>
Total depreciation and amortization expenses governmental activities	<u>\$ 36,128,483</u>

Note 7 - Lease Receivables

The District has entered into lease agreements with various lessees. The lease receivables are summarized below:

Lease Receivable	Outstanding July 1, 2021 as Restated	Addition	Deletion	Outstanding June 30, 2022
T-Mobile	\$ 59,604	\$ -	\$ (30,245)	\$ 29,359
Crown Castle	609,982	-	(27,640)	582,342
Pacific Bell	62,078	-	(36,406)	25,672
Verizon	276,958	-	(26,815)	250,143
SBA Monarch	233,226	-	(23,613)	209,613
	<u>233,226</u>	<u>-</u>	<u>(23,613)</u>	<u>209,613</u>
Total	<u>\$ 1,241,848</u>	<u>\$ -</u>	<u>\$ (144,719)</u>	<u>\$ 1,097,129</u>

T-Mobile

The District leases a portion of its facilities at Corona High School for a cell tower. The lease is for a term of 4 years. The agreement allows for 3% annual increases to the lease payments. During the fiscal year, the District recognized \$30,245 in lease revenues and \$1,634 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$29,359 in lease receivables and deferred inflows of resources for this arrangement. The District used an interest rate of 4.0%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Crown Castle

The District leases a portion of its facilities at Eastvale Elementary for a cell tower. The lease is for a term of 5 years and may be renewed for three additional 5-year terms. The District believes the lessee will exercise the renewal option with reasonable certainty. The agreement allows for 3% annual increases to the lease payments. During the fiscal year, the District recognized \$27,640 in lease revenues and \$21,828 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$582,342 in lease receivables and deferred inflows of resources for this arrangement. The District used an interest rate of 4.0%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Pacific Bell

The District leases a portion of its facilities at Corona Fundamental Intermediate School for a cell tower. The lease is for a term of 5 years. The agreement allows for 3% annual increases to the lease payments. During the fiscal year, the District recognized \$36,406 in lease revenues and \$15,995 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$25,672 in lease receivables and deferred inflows of resources for this arrangement. The District used an interest rate of 4.0%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Verizon

The District leases a portion of its facilities at Santiago High School for a cell tower. The lease is for a term of 5 years and may be renewed for five additional 5-year terms. The District believes the lessee will exercise the renewal option with reasonable certainty. The agreement allows for 3% annual increases to the lease payments. During the fiscal year, the District recognized \$26,815 in lease revenues and \$9,650 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$250,143 in lease receivables and deferred inflows of resources for this arrangement. The District used an interest rate of 4.0%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

SBA Monarch

The District leases a portion of its facilities at Prado View Elementary School for a cell tower. The lease is for a term of 5 years and may be renewed for three additional 5-year terms. The District believes the lessee will exercise the renewal option with reasonable certainty. The agreement allows for 3% annual increases to the lease payments. During the fiscal year, the District recognized \$23,613 in lease revenues and \$8,108 in interest revenue related to this agreement. At June 30, 2022, the District recorded \$209,613 in lease receivables and deferred inflows of resources for this arrangement. The District used an interest rate of 4.0%, based on the rates available to finance real estate or machinery and equipment over the same time periods.

Note 8 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

The balance of \$1,149,312 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from salaries, benefits, and other operating expenditures.

Interfund Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

The Capital Facilities Non-Major Governmental Fund transferred to the Building Fund for reimbursement of capital outlay costs.	\$ 5,000,000
The County School Facilities Non-Major Governmental Fund transferred to the Building Fund for reimbursement of capital outlay costs.	<u>1,131,065</u>
Total	<u><u>\$ 6,131,065</u></u>

Note 9 - Accounts Payable

Accounts payable at June 30, 2022, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total	Fiduciary Funds
Salaries and benefits	\$ 12,012,385	\$ -	\$ 91,438	\$ -	\$ 12,103,823	\$ -
LCFF apportionment	12,797,412	-	-	-	12,797,412	-
Supplies	5,746,145	163,627	116,230	-	6,026,002	-
Services	10,315,473	9,424	160,514	-	10,485,411	16,144
Capital outlay	1,403,911	1,598,386	632,788	-	3,635,085	-
Other vendor payables	114,542	4,722	950	9	120,223	-
Total	<u>\$ 42,389,868</u>	<u>\$ 1,776,159</u>	<u>\$ 1,001,920</u>	<u>\$ 9</u>	<u>\$ 45,167,956</u>	<u>\$ 16,144</u>

Note 10 - Unearned Revenue

Unearned revenue at June 30, 2022, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 699,772	\$ -	\$ 699,772
State categorical aid	16,010,247	-	16,010,247
Other local	-	490,755	490,755
 Total	 \$ 16,710,019	 \$ 490,755	 \$ 17,200,774

Note 11 - Tax Revenue Anticipation Notes

The District issued \$28,360,000 of Tax and Revenue Anticipation Notes dated March 30, 2021, through the Riverside County Office of Education Pool. The notes mature on December 1, 2022 with an interest rate of 2.00%. The notes were sold to supplement the District's cash flow. Repayment terms stipulate that 100% of principal and interest are due on the account to a designated fiscal agent by the notes' maturity date (25% of principal on July 15, 2022, 25% of principal on September 15, 2022, and 50% of principal and total interest on November 15, 2022). As of June 30, 2022, the District had no outstanding Tax and Revenue Anticipation Note.

Issue Date	Rate	Maturity Date	Outstanding July 1, 2021	Additions	Payments	Outstanding June 30, 2022
3/30/2021	2.00%	12/1/2021	\$ 28,360,000	\$ -	\$ 28,360,000	\$ -

Note 12 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2021 as Restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 578,026,089	\$ 6,992,952	\$ (23,365,000)	\$ 561,654,041	\$ 23,625,000
Premium on issuance	36,479,694	-	(2,045,332)	34,434,362	-
Certificates of participation Corona-Norco Unified	17,090,000	16,453,000	(17,990,000)	15,553,000	1,730,000
School District Public financing authority bonds	53,895,000	-	(3,725,000)	50,170,000	3,640,000
Financed purchase agreements	6,638,566		(514,394)	6,124,172	525,565
Leases	1,113,489	-	(383,055)	730,434	348,943
Property and liability	1,072,283	187,279	-	1,259,562	-
Claims liability	21,363,000	1,375,765	(2,357,583)	20,381,182	2,357,583
Compensated absences	4,156,266	1,383,331	-	5,539,597	-
Total	<u>\$ 719,834,387</u>	<u>\$ 26,392,327</u>	<u>\$ (50,380,364)</u>	<u>\$ 695,846,350</u>	<u>\$ 32,227,091</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 financed purchase agreements are made in the General Fund.
- Payments for 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 compensated absences are typically liquidated in the General Fund and other Non-Major Governmental Funds.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
7/1/2000	8/1/2025	4.15-6.04%	\$ 14,885,534	\$ 8,969,136	\$ -	\$ 504,572	\$ (1,955,000)	\$ 7,518,708
12/1/2001	9/1/2026	3.00-5.72%	23,000,139	18,754,933	-	1,005,740	(2,695,000)	17,065,673
12/12/2002	9/1/2027	2.50-5.71%	10,113,949	11,011,958	-	613,859	(830,000)	10,795,817
2/4/2009	2/1/2034	3.00-6.11%	53,429,200	14,596,897	-	1,396,043	(2,010,000)	13,982,940
12/1/2009	8/1/2039	2.50-7.08%	67,997,922	43,022,208	-	2,993,695	(4,290,000)	41,725,903
11/26/2011	8/1/2027	2.00-5.50%	21,568,291	18,530,957	-	479,043	(535,000)	18,475,000
7/8/2015	8/1/2044	2.50-5.00%	99,995,000	37,175,000	-	-	-	37,175,000
7/8/2015	8/1/2031	3.00-5.00%	51,675,000	41,025,000	-	-	(3,370,000)	37,655,000
9/27/2016	8/1/2039	3.00-4.00%	70,030,000	66,735,000	-	-	(55,000)	66,680,000
9/27/2016	8/1/2035	4.00%	31,145,000	31,145,000	-	-	-	31,145,000
4/5/2018	8/1/2047	3.00-5.00%	119,440,000	117,940,000	-	-	(1,740,000)	116,200,000
10/24/2019	8/1/2049	3.00-5.00%	86,000,000	82,000,000	-	-	(4,775,000)	77,225,000
10/24/2019	8/1/2039	1.73-3.19%	34,175,000	33,340,000	-	-	(625,000)	32,715,000
8/5/2020	8/1/2045	0.45-2.79%	53,780,000	53,780,000	-	-	(485,000)	53,295,000
				<u>578,026,089</u>	<u>\$ -</u>	<u>\$ 6,992,952</u>	<u>(23,365,000)</u>	<u>\$ 561,654,041</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%. 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, 2022, the principal balance outstanding of the 1998 General Obligation Bonds, Series B was \$7,518,708.

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%. 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, 2022, the principal balance outstanding on the 1998 General Obligation Bonds, Series C was \$17,065,673.

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%. 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, 2022, the principal balance outstanding of the 1998 General Obligation Bonds, Series D was \$10,795,817.

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%. 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, 2022, the principal balance outstanding on the 2006 General Obligation Bonds, Series B was \$13,982,940.

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%. 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. On October 24, 2019, \$20,830,000 of principle was defeased with proceeds from the issuance of the District's 2019 General Obligation Refunding Bonds. As of June 30, 2022, the principal balance outstanding on the 2006 General Obligation Bonds, Series C was \$41,725,903.

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%. Proceeds from the sale of bonds were used to finance the construction of school facilities and repair of existing school facilities. On October 24, 2019, \$4,505,000 of principle was defeased with proceeds from the issuance of the District's 2019 General Obligation Refunding Bonds. On June 30, 2022, the principal balance outstanding on the 2006 General Obligation Bonds, Series E was \$18,475,000.

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%. 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, 2022, the principal balance outstanding was \$31,175,000.

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%. 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, 2022, the principal balance outstanding was \$37,655,000.

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%. 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%. As of June 30, 2022, the principal balance outstanding was \$66,680,000.

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%. 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. The refunding resulted in a cumulative cash flow saving of \$4,513,074 over the life of the new debt and an economic gain of \$6,062,795 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.59%. As of June 30, 2022, the principal balance outstanding was \$31,45,000.

2014 General Obligation Bonds, 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%. 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, 2022, the principal balance outstanding was \$116,200,000.

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 were issued as current interest bonds. The bonds were issued at an aggregate price of \$93,788,057 (representing the principal amount of \$86,000,000 and premium of \$8,300,600, less cost of issuance of \$512,543). The bonds have a final maturity which occurs on August 1, 2049 with interest rates of 3.0 to 5.0%. Proceeds from the sale of the bonds were used to finance the acquisition, construction and equipping of District sites and facilities. As of June 30, 2022, the principal balance outstanding was \$77,225,000.

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 were issued at an aggregate price of \$33,872,974 (representing the principal amount of \$34,175,000 less cost of issuance of \$302,026). The bonds have a final maturity which occurs on August 1, 2039 with interest rates of 1.73 to 3.19%. Proceeds from the sale of the bonds were used to provide partial refunding of the District's 2006 General Obligation Bonds, Series C and partial refunding of 2006 General Obligation Bonds, Series E in the amount of \$20,830,000 and \$4,505,000, respectively. The refunding resulted in a cumulative cash flow saving of \$3,199,134 over the life of the new debt and an economic gain of \$4,015,417 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.41%. As of June 30, 2022, the principal balance outstanding was \$32,715,000.

2020 General Obligation Refunding Bonds

On August 5, 2020, the Corona-Norco Unified School District issued 2020 General Obligation Refunding Bonds in the amount of \$53,780,000. The refunding bonds were issued as current interest bonds. The bonds were issued at an aggregate price of \$53,301,650 (representing the principal amount of \$53,780,000 less cost of issuance of \$478,350). The bonds have a final maturity which occurs on August 1, 2049 with interest rates of 0.45 to 2.79%. Proceeds from the sale of the bonds were used to provide a partial refunding of the District's 2014 General Obligation Bonds, Series A in the amount of \$43,250,000. The refunding resulted in a cumulative cash flow saving of \$5,139,895 over the life of the new debt and an economic gain of \$5,142,758 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.73%. As of June 30, 2022, the principal balance outstanding was \$53,295,000.

The general obligation bonds mature as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Interest to Maturity	Total
2023	\$ 23,134,945	\$ 490,055	\$ 18,540,402	\$ 42,165,402
2024	22,385,521	1,444,479	18,053,787	41,883,787
2025	19,960,411	2,304,589	17,601,002	39,866,002
2026	20,925,363	2,959,637	17,133,143	41,018,143
2027	22,485,420	3,589,580	16,544,711	42,619,711
2028-2032	79,959,362	7,985,745	73,887,249	161,832,356
2033-2037	112,611,388	12,611,907	56,812,916	182,036,211
2038-2042	113,711,631	20,830,059	36,121,671	170,663,361
2043-2047	97,985,000	-	19,700,165	117,685,165
2048-2051	48,495,000	-	2,515,200	51,010,200
Total	<u>\$ 561,654,041</u>	<u>\$ 52,216,051</u>	<u>\$ 276,910,246</u>	<u>\$ 890,780,338</u>

2020 Refunding Certificates of Participation

On January 1, 2020, the Corona-Norco Unified School District Land Acquisition Corporation issued the 2020 Refunding Certificates of Participation in the amount of \$20,145,000. The certificates have a final maturity to occur on April 15, 2031, with interest rate of 3.20%. Proceeds from the sale of the certificates were used to provide the current refunding of the District's 2011 Refunding Certificates of Participation, Series A. The refunding resulted in a cumulative cash flow saving of \$2,189,535 over the life of the new debt and an economic gain of \$2,643,144 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.2%. As of June 30, 2022, there was no outstanding balance remaining.

2021 Refunding Certificates of Participation

On November 9, 2021, the Corona-Norco Unified School District issued 2021 Refunding Certificates of Participation in the amount of \$16,453,000. The refunding certificates were issued as current interest certificates. The bonds were issued at an aggregate price of \$16,348,014 (representing the principal amount of \$16,453,000 less cost of issuance of \$104,986). The bonds have a final maturity which occurs on March 15, 2031 with an interest rate of 2.42%. Proceeds from the sale of the certificates were used to provide full refunding of the District's 2020 Refunding Certificates of Participation in the Amount of \$16,280,000. The refunding resulted in a cumulative cash flow saving of \$530,226 over the life of the new debt and an economic gain of \$446,196 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.42%. As of June 30, 2022, the principal balance outstanding was \$15,553,000.

Corona-Norco Unified School District

Notes to Financial Statements

June 30, 2022

The certificates of participation mature as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,730,000	\$ 365,916	\$ 2,095,916
2024	1,770,000	323,808	2,093,808
2025	1,815,000	280,672	2,095,672
2026	1,860,000	236,507	2,096,507
2027	1,905,000	191,253	2,096,253
2028-2032	6,473,000	299,100	6,772,100
Total	<u>\$ 15,553,000</u>	<u>\$ 1,697,256</u>	<u>\$ 17,250,256</u>

Corona-Norco Unified School District Public Financing Authority Bonds

The Corona-Norco Unified School District Public Financing Authority (PFA) was created to purchase outstanding debt obligations of various Community Facility Districts (CFD). 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. The 2016 PFA, Series A Refunding Bonds refinanced the debt for 2005 PFA, Series B Refunding Bonds. During the current year, 2022 PFA Refunding Bonds were issued in the amount of \$35,835,000 to fully refinance the outstanding 2013 PFA Series A and Series B bonds. As of June 30, 2022, the principal balance is \$50,170,000.

Year Ending June 30,	Principal	Interest	Total
2023	\$ 3,640,000	\$ 1,156,631	\$ 4,796,631
2024	3,700,000	1,102,153	4,802,153
2025	3,765,000	1,041,035	4,806,035
2026	3,830,000	970,652	4,800,652
2027	3,910,000	890,232	4,800,232
2028-2032	20,165,000	2,987,866	23,152,866
2033-2037	11,160,000	596,358	11,756,358
Total	<u>\$ 50,170,000</u>	<u>\$ 8,744,927</u>	<u>\$ 58,914,927</u>

Leases

The District has entered into agreements to lease various facilities and equipment. The District’s liability on lease agreements is summarized below:

Lease	Outstanding July 1, 2021 as Restated	Addition	Payments	Leases Outstanding June 30, 2022
Xerox	\$ 777,147	\$ -	\$ (250,531)	\$ 526,616
Parent Center	202,484		(43,726)	158,758
Quadient	133,858	-	(88,798)	45,060
Total	<u>\$ 1,113,489</u>	<u>\$ -</u>	<u>\$ (383,055)</u>	<u>\$ 730,434</u>

Xerox

The District entered an agreement to lease copying equipment for 5 years, beginning July 1, 2019. The lease terminates on June 30, 2024. Under the terms of the lease, the District pays a monthly base fee of \$22,868, which amounted to total annual principal and interest cost of \$274,419. The annual interest rate charged on the lease is 4%. At June 30, 2022, the District has recognized right-to-use assets of \$518,098, and a lease liability of \$526,616, related to this agreement. During the fiscal year, the District recorded \$259,049 in amortization expense and \$23,888 in interest expense for the right-to-use of the copier.

Parent Center

The District entered an agreement to lease facilities for 10 years, beginning October 1, 2015. The lease terminates on October 1, 2025. Under the terms of the lease, the District pays a monthly base fee of \$4,140, which amounted to total annual principal and interest cost of \$50,346. The annual interest rate charged on the lease is 4%. At June 30, 2022, the District has recognized right-to-use assets of \$154,841, and a lease liability of \$158,758 related to this agreement. During the fiscal year, the District recorded \$47,643 in amortization expense and \$6,621 in interest expense for the right-to-use of the facilities.

Quadient

The District entered an agreement to mail machines for 4 years, beginning February 1, 2019. The lease terminates on January 31, 2023. Under the terms of the lease, the District pays a quarterly base fee of \$22,868, which amounted to total annual principal and interest cost of \$91,473. The annual interest rate charged on the lease is 4%. At June 30, 2022, the District has recognized right-to-use assets of \$44,619, and a lease liability of \$45,060 related to this agreement. During the fiscal year, the District recorded \$89,239 in amortization expense and \$2,675 in interest expense for the right-to-use of the mail machines.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 348,943	\$ 22,565	\$ 371,508
2024	317,310	9,489	326,799
2025	51,087	1,637	52,724
2026	13,094	87	13,181
Total	<u>\$ 730,434</u>	<u>\$ 33,778</u>	<u>\$ 764,212</u>

Property and Liability

The District had outstanding reserves that amounted to \$1,259,562 at June 30, 2022 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, 2022, amounted to \$20,381,182, using a discount factor of 1.0%.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$5,539,597.

Note 13 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, 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	\$ 87,098,874	\$ 12,348,993	\$ 7,990,891	\$ 10,110,788
Medicare Premium Payment (MPP) Program	3,218,923	-	-	(732,438)
Total	<u>\$ 90,317,797</u>	<u>\$ 12,348,993</u>	<u>\$ 7,990,891</u>	<u>\$ 9,378,350</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.

Plan Membership

As of June 30, 2021, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	268
Active employees	<u>3,806</u>
Total	<u><u>4,074</u></u>

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 as determined annually through the agreements with the District, CNTA, CSEA, and the unrepresented groups. During the 2021-2022 fiscal year, the District paid \$1,852,770 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$87,098,874 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%, average, including inflation
Discount rate	2.16%
Healthcare cost trend rates	4.00%

The discount rate was based on the Bond Buyer 20-bond General Obligation Index. There were no changes to the benefit terms noted.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 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.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2020	\$ 87,053,722
Service cost	7,826,516
Interest	2,001,274
Differences between expected and actual experience in the measurement of the total OPEB liability	(2,899,205)
Changes of assumptions	(4,677,528)
Benefit payments	(2,205,905)
Net change in total OPEB liability	45,152
Balance, June 30, 2021	\$ 87,098,874

Changes of assumptions reflect a change in the inflation rate from 2.63% from 2020 to 2.50% in 2021 and change discount rate from 2.20% for measurement period June 30, 2020 to 2.16% for measurement period 2021.

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:

Discount Rate	Total OPEB Liability
1% decrease (1.16%)	\$ 93,320,680
Current discount rate (2.16%)	87,098,874
1% increase (3.16%)	81,081,320

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:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	\$ 76,618,684
Current healthcare cost trend rate (4.0%)	87,098,874
1% increase (5.0%)	99,450,929

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$10,110,788. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,852,770	\$ -
Differences between expected and actual experience in the measurement of the total OPEB liability	3,236,523	2,669,103
Changes of assumptions	7,259,700	5,321,788
Total	\$ 12,348,993	\$ 7,990,891

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 282,998
2023	282,998
2024	282,998
2025	282,998
2026	282,998
Thereafter	1,090,342
Total	\$ 2,505,332

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, 2020 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, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2022, the District reported a liability of \$3,218,923 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021 and June 30, 2020, respectively, was 0.8070%, and 0.8110%, resulting in a(n) net decrease in the proportionate share of 0.0040%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(732,438).

Actuarial Methods and Assumptions

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018	June 30,-2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 245 or an average of 0.16% of the potentially eligible population (152,062).

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, 2021, 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, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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 (1.16%)	\$ 3,548,135
Current discount rate (2.16%)	3,218,923
1% increase (3.16%)	2,937,641

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 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 Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 2,927,233
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	3,218,923
1% increase (5.50% Part A and 6.40% Part B)	3,553,333

Note 14 - Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and 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 and may initiate foreclosure proceedings. Special assessment debt of \$91,749,000 as of June 30, 2022, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

Note 15 - 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	\$ -	\$ -	\$ 19,775	\$ 224,775
Stores inventories	197,844	-	-	382,572	580,416
Prepaid expenditures	165,188	-	-	-	165,188
Total nonspendable	<u>568,032</u>	<u>-</u>	<u>-</u>	<u>402,347</u>	<u>970,379</u>
Restricted					
Legally restricted programs	39,229,087	-	-	-	39,229,087
Student activity	-	-	-	3,889,910	3,889,910
Adult education	-	-	-	1,354,201	1,354,201
Food service	-	-	-	7,771,868	7,771,868
Capital projects	-	29,020,165	-	11,773,951	40,794,116
Debt services	-	-	57,368,041	10,237,316	67,605,357
Total restricted	<u>39,229,087</u>	<u>29,020,165</u>	<u>57,368,041</u>	<u>35,027,246</u>	<u>160,644,539</u>
Committed					
Instructional materials	36,000,000	-	-	-	36,000,000
Major/routine maintenance	17,700,000	-	-	-	17,700,000
Technology related upgrades/ repairs/maintenance	22,300,000	-	-	-	22,300,000
Total committed	<u>76,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,000,000</u>
Assigned					
School site planned expenditures	4,969,791	-	-	-	4,969,791
LCAP supplemental	7,768,271	-	-	-	7,768,271
School site planned LCAP expenditures	3,485,080	-	-	-	3,485,080
Local grants	285,602	-	-	-	285,602
Enrollment adjustment	69,766,320	-	-	-	69,766,320
Adult education	-	-	-	670,708	670,708
Total assigned	<u>86,275,064</u>	<u>-</u>	<u>-</u>	<u>670,708</u>	<u>86,945,772</u>
Unassigned					
Reserve for economic uncertainties	13,665,687	-	-	-	13,665,687
Total	<u>\$ 215,737,870</u>	<u>\$ 29,020,165</u>	<u>\$ 57,368,041</u>	<u>\$ 36,100,301</u>	<u>\$ 338,226,377</u>

Note 16 - 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 19 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 \$20,381,182 have been discounted at 1.0% as of June 30, 2022. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2020 to June 30, 2022:

	Workers' Compensation
Liability Balance, July 1, 2020	\$ 20,490,000
Claims and changes in estimates	2,651,185
Claims payments	(1,778,185)
Liability Balance, June 30, 2021	21,363,000
Claims and changes in estimates	1,375,765
Claims payments	(2,357,583)
Liability Balance, June 30, 2022	\$ 20,381,182
Assets available to pay claims at June 30, 2022	\$ 32,819,957

Note 17 - 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, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 244,324,834	\$ 92,180,156	\$ 227,837,120	\$ 14,630,334
CalPERS	101,243,400	20,298,416	42,865,385	8,459,129
Total	<u>\$ 345,568,234</u>	<u>\$ 112,478,572</u>	<u>\$ 270,702,505</u>	<u>\$ 23,089,463</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, 2020, 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% of final compensation for each year of credited service.

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

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

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$51,916,391.

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

At June 30, 2022, 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

Proportionate share of net pension liability	\$ 244,324,834
State's proportionate share of the net pension liability	<u>122,934,780</u>
Total	<u><u>\$ 367,259,614</u></u>

The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively, was 0.5369% and 0.5351%, resulting in a net increase in the proportionate share of 0.0018%.

For the year ended June 30, 2022, the District recognized pension expense of \$14,630,334. In addition, the District recognized pension expense and revenue of \$4,206,062 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 51,916,391	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,033,485	8,568,629
Differences between projected and actual earnings on pension plan investments	-	193,267,235
Differences between expected and actual experience in the measurement of the total pension liability	612,047	26,001,256
Changes of assumptions	<u>34,618,233</u>	<u>-</u>
Total	<u>\$ 92,180,156</u>	<u>\$ 227,837,120</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:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2023	\$ (49,078,288)
2024	(44,890,599)
2025	(46,004,632)
2026	<u>(53,293,716)</u>
Total	<u>\$ (193,267,235)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District’s proportionate share of contributions, 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
2023	\$ 9,616,463
2024	10,252,609
2025	(3,826,069)
2026	(3,703,738)
2027	(3,177,801)
Thereafter	(3,467,584)
Total	<u>\$ 5,693,880</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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2020) table, issued by the Society of Actuaries.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent 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, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed 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 of 7.10% and assume 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%)	\$ 497,357,914
Current discount rate (7.10%)	244,324,834
1% increase (8.10%)	34,312,209

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, 2020 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, 2022, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.910%	22.910%

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 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, 2022, are presented above and the total District contributions were \$17,109,197.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$101,243,400. The net pension liability was measured as of June 30, 2021. 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, 2021 and June 30, 2020, respectively, was 0.4979% and 0.4971%, resulting in a net increase in the proportionate share of 0.0008%.

For the year ended June 30, 2022, the District recognized pension expense of \$8,459,129. At June 30, 2022, 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	\$ 17,109,197	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	166,844	3,772,510
Differences between projected and actual earnings on pension plan investments	-	38,854,203
Differences between expected and actual experience in the measurement of the total pension liability	3,022,375	238,672
Changes of assumptions	-	-
Total	\$ 20,298,416	\$ 42,865,385

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
2023	\$ (9,744,601)
2024	(8,961,033)
2025	(9,342,461)
2026	(10,806,108)
Total	<u>\$ (38,854,203)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 204,638
2024	(901,040)
2025	(123,243)
2026	(2,318)
Total	<u>\$ (821,963)</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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
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% of scale MP-2016.

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%. 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%)	\$ 170,710,588
Current discount rate (7.15%)	101,243,400
1% increase (8.15%)	43,570,728

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the social security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$34,528,291 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 18 - 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, 2022.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2022, the District had the following commitments with respect to unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Washington Elementary - School upgrades/admin/Kinder classrooms	\$ 1,290,655	September 2022
Norco HS - Baseball field lighting project	701,223	October 2022
Corona Fundamental - MPR/Gymnasium	1,186,506	September 2022
Norco HS - Pool upgrade	253,326	September 2022
Total	<u>\$ 3,431,710</u>	

Note 19 - 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, 2022, the District made a payment of \$3,516,694, \$15,176,975, and \$29,495,731 to SCR, SISC, and VEBA, respectively, for the coverage noted above.

Note 20 - Restatement of Prior Year Net Position and Fund Balance

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires 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. Beginning net position and fund balance were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

	General Fund	Total Governmental Funds
Beginning Fund Balance, as Previously Reported on June 30, 2021	\$ 159,167,303	\$ 273,925,872
Increase in leases receivable	1,241,848	1,241,848
Increase in deferred inflows of resources related to leases	(1,241,848)	(1,241,848)
Beginning Fund Balance, as Restated on July 1, 2021	\$ 159,167,303	\$ 273,925,872
 Governmental Activities		
Net Position - Beginning, as Reported on June 30, 2021		\$ 20,753,305
Increase in leases receivable		1,241,848
Increase in deferred inflows of resources related to leases		(1,241,848)
Increase in right-to-use leased asset		1,113,489
Increase in lease liability		(1,113,489)
Net Position - Beginning, as Restated on July 1, 2021		\$ 20,753,305



Required Supplementary Information
June 30, 2022

Corona-Norco Unified School District

Corona-Norco Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 505,120,492	\$ 511,192,890	\$ 511,943,806	\$ 750,916
Federal sources	22,355,326	121,720,410	89,183,563	(32,536,847)
Other State sources	89,599,130	141,652,030	129,650,311	(12,001,719)
Other local sources	7,080,000	8,640,534	9,077,229	436,695
Total revenues	<u>624,154,948</u>	<u>783,205,864</u>	<u>739,854,909</u>	<u>(43,350,955)</u>
Expenditures				
Current				
Certificated salaries	301,705,022	340,307,680	321,687,874	18,619,806
Classified salaries	84,172,315	88,817,359	83,224,554	5,592,805
Employee benefits	146,312,082	156,673,332	151,099,439	5,573,893
Books and supplies	21,354,340	66,233,313	27,593,722	38,639,591
Services and operating expenditures	79,752,428	95,310,931	88,748,442	6,562,489
Other outgo	(147,895)	(628,291)	(495,277)	(133,014)
Capital outlay	448,384	32,568,265	9,882,147	22,686,118
Debt service				
Debt service - principal	51,434	514,394	897,449	(383,055)
Debt service - interest and other	140,630	140,630	645,992	(505,362)
Total expenditures	<u>633,788,740</u>	<u>779,937,613</u>	<u>683,284,342</u>	<u>96,653,271</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,633,792)</u>	<u>3,268,251</u>	<u>56,570,567</u>	<u>53,302,316</u>
Net Change in Fund Balances	(9,633,792)	3,268,251	56,570,567	53,302,316
Fund Balance - Beginning	<u>159,167,303</u>	<u>159,167,303</u>	<u>159,167,303</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 149,533,511</u>	<u>\$ 162,435,554</u>	<u>\$ 215,737,870</u>	<u>\$ 53,302,316</u>

Corona-Norco Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 7,826,516	\$ 6,072,708	\$ 5,215,527	\$ 5,075,939	\$ 4,940,087
Interest	2,001,274	2,633,239	2,418,192	2,268,600	1,911,349
Differences between expected and actual experience in the measurement of the total OPEB liability	(2,899,205)	116,573	4,069,755	-	-
Changes of assumptions	(4,677,528)	7,334,203	1,355,687	(1,409,861)	-
Benefit payments	<u>(2,205,905)</u>	<u>(2,487,527)</u>	<u>(1,804,100)</u>	<u>(1,934,463)</u>	<u>(1,860,061)</u>
Net change in total OPEB liability	45,152	13,669,196	11,255,061	4,000,215	4,991,375
Total OPEB Liability - Beginning	<u>87,053,722</u>	<u>73,384,526</u>	<u>62,129,465</u>	<u>58,129,250</u>	<u>53,137,875</u>
Total OPEB Liability - Ending	<u>\$ 87,098,874</u>	<u>\$ 87,053,722</u>	<u>\$ 73,384,526</u>	<u>\$ 62,129,465</u>	<u>\$ 58,129,250</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ The 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.

Corona-Norco Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2022

Year ended June 30,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.8070%	0.8110%	0.9379%	0.9400%	0.9489%
Proportionate share of the net OPEB liability	\$ 3,218,923	\$ 3,951,361	\$ 3,492,682	\$ 3,598,079	\$ 3,992,109
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.80%	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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.

Corona-Norco Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Proportion of the net pension liability	0.5369%	0.5351%	0.5302%	0.5237%	0.5241%	0.5385%	0.5358%	0.5048%
Proportionate share of the net pension liability	\$ 244,324,834	\$ 518,565,153	\$ 478,835,847	\$ 481,330,411	\$ 484,717,387	\$ 435,505,985	\$ 360,710,997	\$ 294,991,961
State's proportionate share of the net pension liability	122,934,780	267,320,398	261,236,921	275,584,171	286,754,711	247,925,788	190,776,354	178,128,882
Total	<u>\$ 367,259,614</u>	<u>\$ 785,885,551</u>	<u>\$ 740,072,768</u>	<u>\$ 756,914,582</u>	<u>\$ 771,472,098</u>	<u>\$ 683,431,773</u>	<u>\$ 551,487,351</u>	<u>\$ 473,120,843</u>
Covered payroll	<u>\$ 297,087,674</u>	<u>\$ 291,683,836</u>	<u>\$ 290,603,059</u>	<u>\$ 282,625,329</u>	<u>\$ 278,652,631</u>	<u>\$ 271,662,311</u>	<u>\$ 248,682,275</u>	<u>230,677,774</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>82.24%</u>	<u>177.78%</u>	<u>164.77%</u>	<u>170.31%</u>	<u>173.95%</u>	<u>160.31%</u>	<u>145.05%</u>	<u>127.88%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS								
Proportion of the net pension liability	0.4979%	0.4971%	0.5043%	0.5131%	0.5178%	0.5319%	0.5032%	0.4453%
Proportionate share of the net pension liability	\$ 101,243,400	\$ 152,532,185	\$ 146,979,773	\$ 136,798,840	\$ 123,605,687	\$ 105,049,259	\$ 74,173,770	\$ 50,553,827
Covered payroll	<u>\$ 68,235,696</u>	<u>\$ 71,623,087</u>	<u>\$ 69,849,961</u>	<u>\$ 67,763,055</u>	<u>\$ 66,101,865</u>	<u>\$ 22,541,597</u>	<u>\$ 56,284,674</u>	<u>47,346,544</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>148.37%</u>	<u>212.97%</u>	<u>210.42%</u>	<u>201.88%</u>	<u>186.99%</u>	<u>466.02%</u>	<u>131.78%</u>	<u>106.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Corona-Norco Unified School District
Schedule of the District Contributions
Year Ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
CalSTRS								
Contractually required contribution	\$ 51,916,391	\$ 47,333,140	\$ 49,877,936	\$ 47,310,178	\$ 40,782,835	\$ 35,054,501	\$ 29,149,366	\$ 22,082,986
Less contributions in relation to the contractually required contribution	<u>51,916,391</u>	<u>47,333,140</u>	<u>49,877,936</u>	<u>47,310,178</u>	<u>40,782,835</u>	<u>35,054,501</u>	<u>29,149,366</u>	<u>22,082,986</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 306,834,462</u>	<u>\$ 297,087,674</u>	<u>\$ 291,683,836</u>	<u>\$ 290,603,059</u>	<u>\$ 282,625,329</u>	<u>\$ 278,652,631</u>	<u>\$ 271,662,311</u>	<u>\$ 248,682,275</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS								
Contractually required contribution	\$ 17,109,197	\$ 14,124,789	\$ 14,124,789	\$ 12,616,300	\$ 10,524,280	\$ 9,180,227	\$ 2,670,503	\$ 6,625,269
Less contributions in relation to the contractually required contribution	<u>17,109,197</u>	<u>14,124,789</u>	<u>14,124,789</u>	<u>12,616,300</u>	<u>10,524,280</u>	<u>9,180,227</u>	<u>2,670,503</u>	<u>6,625,269</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 74,680,039</u>	<u>\$ 68,235,696</u>	<u>\$ 71,623,087</u>	<u>\$ 69,849,961</u>	<u>\$ 67,763,055</u>	<u>\$ 66,101,865</u>	<u>\$ 22,541,597</u>	<u>\$ 56,284,674</u>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

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.

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 inflation rate from 2.63% from 2020 to 2.50% in 2021 and change discount rate from 2.20% for measurement period June 30, 2020 to 2.16% for measurement period 2021.

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 2.21% to 2.16% since the previous valuation.

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 the District's 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
June 30, 2022

Corona-Norco Unified School District

Corona-Norco Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster (IDEA)			
Special Education Grants to States - Basic Local Assistance Entitlement	84.027	13379	\$ 8,782,965
Special Education Grants to States - Mental Health	84.027A	15197	592,012
Special Education Grants to States - Quality Assurance & Focus Monitoring	84.027A	13693	5,022
COVID-19 ARP Special Education Grants to States - Basic Local Assistance	84.027	15638	<u>2,032,338</u>
Subtotal			<u>11,412,337</u>
Special Education Preschool Grants	84.173	13430	169,695
ARP Special Education Preschool Grants	84.173	15639	174,121
Special Education Preschool Grants - Staff Development	84.173A	13431	2,505
Special Education Preschool Grants - Alternate Dispute Resolution	84.173A	13007	<u>77,662</u>
Subtotal			<u>423,983</u>
Total Special Education Cluster (IDEA)			<u>11,836,320</u>
Adult Education - Basic Grants to States ELA	84.002A	14508	426,482
Adult Education - Basic Grants to States Secondary Education	84.002	13978	170,338
Adult Education - Basic Grants to States English Literacy & Civics Education	84.002A	14109	<u>242,508</u>
Subtotal			<u>839,328</u>

Corona-Norco Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Title I Grants to Local Education Agencies	84.010	14329	10,343,051
Title I Grants to Local Education Agencies - School Improvement Funding for LEAs	84.010	15438	<u>242,403</u>
Subtotal Title I Grants to Local Education Agencies			<u>10,585,454</u>
English Language Acquisition State Grants - English Learner Student Program	84.365	14346	\$ 839,234
Supporting Effective Instruction State Grants	84.367	14341	863,594
Student Support and Academic Enrichment Program	84.424	15396	706,407
Special Education - Grants for Infants and Families	84.181	23761	148,995
Career and Technical Education - Basic Grants to States	84.048	14894	294,558
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	621
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425U	15547	12,282,284
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund - State Reserves	84.424D	15618	4,967,509
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.424U	15559	19,057,286
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund - Learning Loss	84.424U	10155	12,401,947
COVID-19 After School Education and Safety (ASES) Rate Increase: ESSER III State Reserve Afterschool Programs	84.424U	15649	1,140,088
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund - ELO	84.425U	15620	3,238,239
COVID-19 Elementary and Secondary School Emergency Relief III (ESSER III) Fund - Learning Loss	84.425U	15621	<u>5,582,167</u>
Subtotal			<u>58,670,141</u>

Corona-Norco Unified School District
Schedule of Expenditures of Federal Awards
June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed through California Department of Rehabilitation Rehabilitation Services Vocational Rehabilitation Grants to States - Workability II	84.126	10006	\$ 346,431
Total U.S. Department of Education			<u>85,130,462</u>
U.S. Department of Health and Human Services Passed Through California Department of Public Health COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	50187	2,200,000
Total U.S. Department of Health and Human Services			<u>2,200,000</u>
Federal Communications Commission Emergency Connectivity Funds	32.009	N/A	2,718,553
Total U.S. Department of Health and Human Services			<u>2,718,553</u>
U.S. Department of Agriculture Passed Through California Department of Education Child Nutrition Cluster			
National School Lunch Program - Section 4	10.555	13396	2,006,465
National School Lunch Program - Section 11	10.555	13524	19,203,594
National School Lunch Program - Commodities	10.555	13396	1,491,305
COVID-19 National School Lunch Program - SNP Emergency Operational Costs Reimbursement (ECR)	10.555	15637	700,969
Subtotal			<u>23,402,333</u>
School Breakfast Program - Basic	10.553	13390	49,453
School Breakfast Program - Especially Needy	10.553	13526	2,117,749
Subtotal			<u>2,167,202</u>
Total Child Nutrition Cluster			<u>25,569,535</u>
Child and Adult Care Food Program	10.558	13666	195,931
Child and Adult Care Food Program - Emergency Operational Cost Reimbursement (ECR)	10.558	15577	77,838
Subtotal			<u>273,769</u>
Pandemic EBT Local Administrative Grant	10.649	15644	5,814
Forest Service Schools and Roads Cluster Schools and Roads - Grants to States	10.665	10044	18,499
Total Forest Service Schools and Roads Cluster			<u>18,499</u>
Total U.S. Department of Agriculture			<u>25,867,617</u>
U.S. Department of Justice STOP School Violence - Threat Assessment Program	16.839	N/A	35,927
STOP School Violence - FY 2019 Project	16.839	N/A	87,391
Subtotal			<u>123,318</u>
Public Safety Partnership and Community Policing Grants - COPS Office School Violence Prevention Program	16.710	N/A	19,163
Total U.S. Department of Justice			<u>142,481</u>
Total Federal Financial Assistance			<u>\$ 116,059,113</u>

[1] Pass-Through Entity Number not available.

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 30 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

MEMBER	OFFICE	TERM EXPIRES
Elizabeth Marroquin	President	2022
John Zickefoose	Vice President	2022
Mary Ybarra	Clerk	2024
Jose W. Lalas, Ph.D.	Member	2024
Bill Pollock	Member	2024

ADMINISTRATION

NAME	TITLE
Samuel Buenrostro, Ed.D.	Superintendent
Lisa Simon, Ed.D.	Deputy Superintendent, Educational Services
Dalia Gadelmawla	Assistant Superintendent, Business Services
Glen Gonsalves	Assistant Superintendent, Human Resources
Ben Odipo	Assistant Superintendent, Information Technology
Reginald Thompkins, Ed. D.	Assistant Superintendent, Instructional Support

Corona-Norco Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2022

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	13,086.62	13,106.77	12,715.96	12,747.07
Fourth through sixth	10,654.28	10,664.16	10,311.09	10,325.49
Seventh and eighth	7,462.11	7,454.76	7,253.36	7,243.89
Ninth through twelfth	<u>16,335.08</u>	<u>16,290.92</u>	<u>15,608.24</u>	<u>15,549.09</u>
Total Regular ADA	<u>47,538.09</u>	<u>47,516.61</u>	<u>45,888.65</u>	<u>45,865.54</u>
Extended Year Special Education				
Transitional kindergarten through third	16.42	16.42	16.42	16.42
Fourth through sixth	10.83	10.83	10.83	10.83
Seventh and eighth	4.89	4.89	4.89	4.89
Ninth through twelfth	<u>11.51</u>	<u>11.51</u>	<u>11.51</u>	<u>11.51</u>
Total Extended Year Special Education	<u>43.65</u>	<u>43.65</u>	<u>43.65</u>	<u>43.65</u>
Special Education, Nonpublic, Nonsectarian Schools				
Fourth through sixth	2.08	3.18	2.08	3.18
Seventh and eighth	3.56	4.70	3.56	4.70
Ninth through twelfth	<u>28.83</u>	<u>32.86</u>	<u>28.83</u>	<u>32.86</u>
Total Special Education, Nonpublic, Nonsectarian Schools	<u>34.47</u>	<u>40.74</u>	<u>34.47</u>	<u>40.74</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Ninth through twelfth	<u>3.22</u>	<u>3.95</u>	<u>3.22</u>	<u>3.95</u>
Total ADA	<u><u>47,619.43</u></u>	<u><u>47,604.95</u></u>	<u><u>45,966.77</u></u>	<u><u>45,949.93</u></u>

Corona-Norco Unified School District
 Schedule of Instructional Time
 Year Ended June 30, 2022

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Minutes Credited Form J-13A	Total Minutes Offered	Traditional Calendar			Multitrack Calendar			Status
					Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	
Kindergarten	36,000	36,000	-	36,000	180	-	180	175	-	175	Complied
Grades 1 - 3	50,400										
Grade 1		50,725	-	50,725	180	-	180	175	-	175	Complied
Grade 2		50,725	-	50,725	180	-	180	175	-	175	Complied
Grade 3		50,725	-	50,725	180	-	180	175	-	175	Complied
Grades 4 - 8	54,000										
Grade 4		54,113	-	54,113	180	-	180	175	-	175	Complied
Grade 5		54,113	-	54,113	180	-	180	175	-	175	Complied
Grade 6		54,113	-	54,113	180	-	180	175	-	175	Complied
Grade 7		60,500	-	60,500	180	-	180	-	-	-	Complied
Grade 8		60,500	-	60,500	180	-	180	-	-	-	Complied
Grades 9 - 12	64,800										
Grade 9		64,930	-	64,930	180	-	180	-	-	-	Complied
Grade 10		64,930	-	64,930	180	-	180	-	-	-	Complied
Grade 11		64,930	-	64,930	180	-	180	-	-	-	Complied
Grade 12		64,930	-	64,930	180	-	180	-	-	-	Complied

Corona-Norco Unified School District
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2022

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

	General Fund
Fund Balance	
Balance, June 30, 2022, Unaudited Actuals	\$ 218,803,669
Increase in	
Accounts payable	(3,065,799)
Balance, June 30, 2022, Audited Financial Statements	\$ 215,737,870

Corona-Norco Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2022

	(Budget) 2023 ¹	2022	2021 ¹	2020 ¹
General Fund				
Revenues	\$ 685,472,179	\$ 739,854,909	\$ 681,518,276	\$ 614,569,927
Other sources	-	-	628,045	-
Total revenues and other sources	<u>685,472,179</u>	<u>739,854,909</u>	<u>682,146,321</u>	<u>614,569,927</u>
Expenditures	701,858,615	683,284,342	618,736,955	602,516,116
Other uses and transfers out	-	-	-	957,631
Total expenditures and other uses	<u>701,858,615</u>	<u>683,284,342</u>	<u>618,736,955</u>	<u>603,473,747</u>
Increase/(Decrease) in Fund Balance	<u>(16,386,436)</u>	<u>56,570,567</u>	<u>63,409,366</u>	<u>11,096,180</u>
Ending Fund Balance	<u>\$ 199,351,434</u>	<u>\$ 215,737,870</u>	<u>\$ 159,167,303</u>	<u>\$ 95,757,937</u>
Available Reserves ²	<u>\$ 14,037,172</u>	<u>\$ 13,665,687</u>	<u>\$ 12,374,739</u>	<u>\$ 11,886,405</u>
Available Reserves as a Percentage of Total Outgo	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>
Long-Term Liabilities	<u>N/A</u>	<u>\$ 1,131,732,381</u>	<u>\$ 1,480,823,319</u>	<u>\$ 1,435,928,955</u>
K-12 Average Daily Attendance at P-2	<u>47,059</u>	<u>47,619</u>	<u>50,642</u>	<u>50,642</u>

The General Fund balance has increased by \$119,979,933 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$16,386,436 (7.6%). For a district this size, the State recommends available reserves of at least 2 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surplus in each of the past three years; however, the District anticipates incurring an operating deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$304,196,574 over the past two years.

Average daily attendance has decreased by 3,023 over the past two years. Additional decline of 560 ADA is anticipated during fiscal year 2022-2023.

1 Financial information for 2023, 2021, and 2020 are 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.

Corona-Norco Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
Assets				
Deposits and investments	\$ 3,777,701	\$ 1,558,663	\$ 6,046,979	\$ 2,248,704
Receivables	121,039	679,284	3,469,738	35,523
Stores inventories	-	-	382,572	-
Total assets	\$ 3,898,740	\$ 2,237,947	\$ 9,899,289	\$ 2,284,227
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 213,038	\$ 93,837	\$ 695,045
Due to other funds	-	-	1,149,312	-
Unearned revenue	-	-	490,755	-
Total liabilities	-	213,038	1,733,904	695,045
Fund Balances				
Nonspendable	8,830	-	393,517	-
Restricted	3,889,910	1,354,201	7,771,868	1,589,182
Assigned	-	670,708	-	-
Total fund balances	3,898,740	2,024,909	8,165,385	1,589,182
Total liabilities and fund balances	\$ 3,898,740	\$ 2,237,947	\$ 9,899,289	\$ 2,284,227

Corona-Norco Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2022

	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 6,654,962	\$ 3,519,242	\$ 10,237,316	\$ 34,043,567
Receivables	10,565	-	-	4,316,149
Stores inventories	-	-	-	382,572
Total assets	\$ 6,665,527	\$ 3,519,242	\$ 10,237,316	\$ 38,742,288
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,001,920
Due to other funds	-	-	-	1,149,312
Unearned revenue	-	-	-	490,755
Total liabilities	-	-	-	2,641,987
Fund Balances				
Nonspendable	-	-	-	402,347
Restricted	6,665,527	3,519,242	10,237,316	35,027,246
Assigned	-	-	-	670,708
Total fund balances	6,665,527	3,519,242	10,237,316	36,100,301
Total liabilities and fund balances	\$ 6,665,527	\$ 3,519,242	\$ 10,237,316	\$ 38,742,288

Corona-Norco Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2022

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
Revenues				
Federal sources	\$ -	\$ 839,328	\$ 26,036,222	\$ -
Other State sources	-	2,281,071	1,478,900	23
Other local sources	6,198,418	(5,582)	180,519	19,339,602
Total revenues	6,198,418	3,114,817	27,695,641	19,339,625
Expenditures				
Current				
Instruction	-	1,492,364	-	-
Instruction-related activities				
School site administration	-	1,366,772	-	-
Pupil services				
Food services	-	-	20,278,206	-
All other pupil services	-	176,348	-	-
Administration				
All other administration	-	86,015	475,004	1,576,616
Plant services	-	110,631	-	-
Ancillary services	5,301,780	-	-	-
Other outgo	-	-	-	104,986
Facility acquisition and construction	-	-	-	15,939,261
Debt service				
Principal	-	-	-	1,710,000
Interest and other	-	-	-	387,359
Total expenditures	5,301,780	3,232,130	20,753,210	19,718,222
Excess (Deficiency) of Revenues Over Expenditures	896,638	(117,313)	6,942,431	(378,597)
Other Financing Sources (Uses)				
Other sources - proceeds from certificates of participation (COP)	-	-	-	16,453,000
Transfers out	-	-	-	(5,000,000)
Other uses - payment to refunded COP escrow agent	-	-	-	(16,348,014)
Net Financing Uses	-	-	-	(4,895,014)
Net Change in Fund Balances	896,638	(117,313)	6,942,431	(5,273,611)
Fund Balance - Beginning	3,002,102	2,142,222	1,222,954	6,862,793
Fund Balance - Ending	\$ 3,898,740	\$ 2,024,909	\$ 8,165,385	\$ 1,589,182

Corona-Norco Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2022

	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ -	\$ -	\$ -	\$ 26,875,550
Other State sources	6,772,948	-	-	10,532,942
Other local sources	(108,773)	377	7,679,714	33,284,275
Total revenues	6,664,175	377	7,679,714	70,692,767
Expenditures				
Current				
Instruction	-	-	-	1,492,364
Instruction-related activities				
School site administration	-	-	-	1,366,772
Pupil services				
Food services	-	-	-	20,278,206
All other pupil services	-	-	-	176,348
Administration				
All other administration	-	-	-	2,137,635
Plant services	-	-	-	110,631
Ancillary services	-	-	-	5,301,780
Other outgo	-	-	680,977	785,963
Facility acquisition and construction	-	-	-	15,939,261
Debt service				
Principal	-	-	3,725,000	5,435,000
Interest and other	-	-	1,096,600	1,483,959
Total expenditures	-	-	5,502,577	54,507,919
Excess (Deficiency) of Revenues Over Expenditures	6,664,175	377	2,177,137	16,184,848
Other Financing Sources (Uses)				
Other sources - proceeds from certificates of participation (COP)	-	-	-	16,453,000
Transfers out	(1,131,065)	-	-	(6,131,065)
Other uses - payment to refunded COP escrow agent	-	-	-	(16,348,014)
Net Financing Uses	(1,131,065)	-	-	(6,026,079)
Net Change in Fund Balances	5,533,110	377	2,177,137	10,158,769
Fund Balance - Beginning	1,132,417	3,518,865	8,060,179	25,941,532
Fund Balance - Ending	\$ 6,665,527	\$ 3,519,242	\$ 10,237,316	\$ 36,100,301

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Corona-Norco Unified School District (the District) under programs of the federal government for the year ended June 30, 2022. The information 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). Because the schedule presents only a selected portion of the operations of the Corona-Norco Unified School District, it is not intended to and does not present the financial position, changes in net position, fund balance, or cash flows of Corona-Norco Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District did not have any food commodities reported as inventory.

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.

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 46207.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

These schedules are 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
June 30, 2022

Corona-Norco Unified School District



**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***

To the Governing Board
Corona-Norco Unified School District
Norco, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corona-Norco Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Corona-Norco Unified School District’s basic financial statements and have issued our report thereon dated December 15, 2022.

Adoption of New Accounting Standard

As discussed in Notes 1 and 20 to the financial statements, the Corona-Norco Unified School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position and fund balance as of July 1, 2021, to restate beginning net position and fund balance. Our opinions are not modified with respect to this matter.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as item 2022-001, that we consider to be material weaknesses.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Corona-Norco Unified School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Corona-Norco Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 15, 2022



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Corona-Norco Unified School District
Norco, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Corona-Norco Unified School District’s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Corona-Norco Unified School District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Corona-Norco Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Corona-Norco Unified School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Corona-Norco Unified School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Corona-Norco Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Corona-Norco Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Corona-Norco Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Corona-Norco Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Corona-Norco Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 15, 2022



Independent Auditor's Report on State Compliance

To the Governing Board
Corona-Norco Unified School District
Norco, California

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited Corona-Norco Unified School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

Qualified Opinion on Attendance, Independent Study, and Independent Study – Course Based

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Attendance, Independent Study, Independent Study – Course Based

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Attendance, Independent Study, and Independent Study – Course Based (see finding 2022-002). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's compliance with the requirements listed in the table below.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements listed in the table below has occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements listed in the table below.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we consider
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
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	Yes, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Yes
Immunizations	Yes

	Procedures Performed
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

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 did not offer Juvenile Court Schools; therefore, we did not perform procedures related to the Juvenile Court Schools.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

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 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 a material noncompliance with compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, as items 2022-002, to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over state compliance is solely to describe the scope of our testing of internal control over state compliance and the results of that testing based on the requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 15, 2022



Schedule of Findings and Questioned Costs
June 30, 2022

Corona-Norco Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No
Identification of major programs	

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
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Education Stabilization Fund	84.425, 84.425D, 84.425U
Title I Grants to Local Educational Agencies	84.010

Dollar threshold used to distinguish between type A and type B programs	\$3,000,000
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Auditee qualified as low-risk auditee?	No
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State Compliance

Internal control over state compliance programs	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported

Type of auditor's report issued on compliance for programs	Unmodified*
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*Unmodified for all programs except for the following program which was qualified:

<u>Name of Program</u>

- Attendance
- Independent Study
- Independent Study - Course Based

The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2022-001 30000 Internal Control Over Financial Reporting (Material Weakness)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure that the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting journal entries reclassifying journal entries, and conversion entries used in the preparation of the District's financial statements. Additionally, the District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified a material misstatement of balances presented within the District's General Fund, as reported on the 2021-2022 unaudited financial statements. The description of the misstatement is as follows:

The District under-reported its accounts payable in the amount of \$3,065,799 related to the District's health & welfare benefits. This resulted in an understatement of expenditures in the General Fund by \$3,065,799.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with District personnel and through review of available District records related to balances reported in the District's 2021-2022 unaudited financial statements.

Effect

The effect of this error resulted in a misstatement that was not detected or prevented by the District's internal control. As reported on the 2021-2022 unaudited financial statements, the District's General Fund ending fund balance was overstated by \$3,065,799.

Cause

The cause of the condition identified appears to be due to inadequate review processes related to the preparation of the District's year-end financial statements, which includes the review of revenues/expenditures and assets/liabilities to determine their proper reporting period.

Repeat Finding

No.

Recommendation

In light of condition identified, the District should exercise care during its annual year-end closing process. The District should implement a process to review all balances during its yearend closing process to determine the proper cut-off period for revenues and to ensure that all activities are recorded in the financial statements.

Corrective Action Plan and Views of Responsible Officials

The District has implemented a checklist process to review and ensure all activities are recorded in the financial statements.

None reported.

The following finding represents a material weakness and a material instance of noncompliance including questioned costs that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
40000	State Compliance

2022-002 10000 & 40000 – Attendance, Independent Study, and Independent Study – Course Based

Criteria or Specific Requirements

California Education Code Section 51749.6 states that a local education agency shall not be eligible to receive apportionments for independent study by pupils, unless it has provided each pupil with a written learning agreement that contains the required elements identified in California Education Code Section 51749.6.

Condition

The Corona- Norco Unified School District (the District) has implemented written learning agreements for each pupil enrolled in independent study; however, the learning agreements are lacking some elements that are required by California Education Code Section 51749.6.

Questioned Costs

The condition identified resulted in the District over reporting 1,652.66 and 1,638.18 units of Independent Study Average Daily Attendance (ADA) for apportionment on its Second Period Attendance Report and Annual Period Attendance Report, respectively. There is no current year fiscal impact since *California Education Code Section 42238.023* authorizes the California Department of Education to adjust the 2021-22 report ADA for school districts if the 2019-20 ADA to enrollment ratio exceeds the 2021-22 ADA to enrollment ratio. The effect of this regulation nullifies the questioned costs component of the condition identified. Additionally, the District was funded using ADA from 2019-2020 fiscal year.

Context

The condition was identified during the review of independent study agreements for the District’s independent study and course-based independent study programs.

Effect

The District overclaimed 1,649.44 and 1,651.07 ADA on its Second Period Report of Attendance and Annual Period Attendance, respectively. The following represents overclaims ADA by Grade Span:

	Second Period	Annual
TK-3	370.66	359.70
4-6	343.19	338.67
7-8	208.75	210.87
9-12	726.84	741.83
Total ADA	1,649.44	1,651.07

Cause

The cause appears to have been triggered by the sudden and drastic change in the independent study and course-based independent study requirements from the State and the District's inability to expedite and properly implement the required changes given the time constraints to implement the changes.

Repeat Finding

No.

Recommendation

The District should update their Independent Study written learning agreement to meet the requirements of *California Education Code* Section 51749.6. Additionally, the District should ensure that a process is in place to ensure timely updates are made to Independent Study written learning agreements as required by changes to *California Education Code*.

Corrective Action Plan and Views of Responsible Officials

The District has updated the Independent Study agreement to meet the requirements of California Education Code Section 51749.6 and has provided initial training and ongoing support to school sites in the use of the agreement.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Compliance Finding

2021-001 40000 - Ratios of Administrative Employees to Teachers

Criteria of Specific Requirements

In accordance with California *Education Code*, Section 41402, unified school districts are limited to a ratio of eight administrators per 100 teachers.

Condition

Using the ratio noted in the Criteria and Specific Requirements section, the District should be limited to 173.92 administrators. The calculated net administrator is 191.27 In accordance with the definition of those employees to be included or excluded in the calculation under California *Education Code*, Section 41401. This resulted in an excess of 17.35 (rounded to 17) administrators.

Questioned Costs

There are no questioned costs associated with this condition. However, the penalty calculated in accordance with formula set forth in California *Education Code*, Section 41404 is \$337,348.

Context

The condition was identified as a result of our review of the District's ratio calculation of administrators to teachers and the accompanying supporting documents.

Effect

The District's current staffing model resulted in the District being non-compliance with California *Education Code* Section 41402 regarding the ratio of administrators to teachers.

Cause

The cause of the condition is unknown.

Repeat Finding

No.

Recommendation

The District should review its staff model and make appropriate adjustments to ensure compliance with California *Education Code* Section 41042.

Current Status

Implemented.