

**ROMOLAND ELEMENTARY SCHOOL DISTRICT  
COUNTY OF RIVERSIDE  
HOMELAND, CALIFORNIA**

**AUDIT REPORT**

**JUNE 30, 2017**

**Wilkinson Hadley King & Co. LLP  
CPA's and Advisors  
218 W. Douglas Ave  
El Cajon, CA 92020**

## Introductory Section

Romoland Elementary School District  
 Audit Report  
 For The Year Ended June 30, 2017

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Financial Section

## **Independent Auditor's Report**

To the Board of Trustees  
Romoland Elementary School District  
Homeland, California 92548

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Romoland Elementary School District ("the District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Romoland Elementary School District as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Romoland Elementary School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards 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 November 27, 2017 on our consideration of Romoland Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Romoland Elementary School District's internal control over financial reporting and compliance.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
November 27, 2017



**ROMOLAND ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017  
(UNAUDITED)**

This discussion and analysis of Romoland Elementary School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Governmental funds' assets were \$47.5 million, a decrease of \$2.6 million.
- Overall revenues were \$52.2 million.
- The total cost of basic programs was \$55.2 million. These costs were paid for with charges, fees, and intergovernmental (State) aid and additional taxpayer funding.
- The District's outstanding long-term debt increased by \$4.1 million, which includes funding from Community Facilities District bonds.
- Average daily attendance grew by 133 or 3.62%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1. Organization of Romoland Elementary School District's Annual Financial Report**

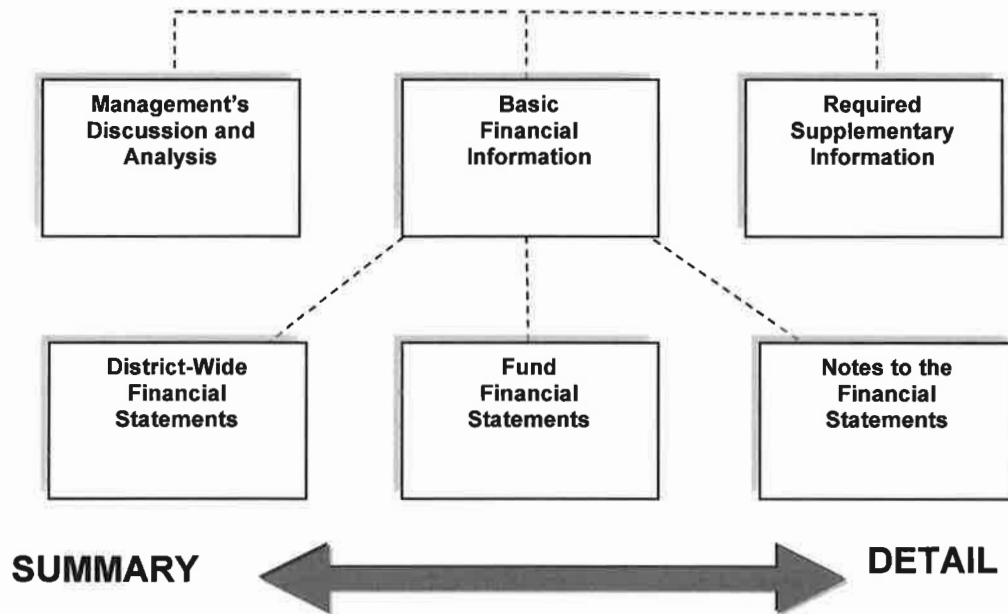


Figure A-2 summarizes the major features of the District’s financials statements, including a portion of the District’s activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

| <b>Type of Statements</b>                     | <b>District-Wide</b>   | <b>Governmental Funds</b>  | <b>Fiduciary Funds</b>  |
|---|--|--|---|
| <b>Scope</b>                                  | Entire District, except fiduciary activities   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies       |
| <i>Required financial statements</i>          | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul> |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus   |
| <i>Type of asset/liability information</i>    | All assets and liabilities, both financial and capital, short-term and long-term                                 | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included  | All assets and liabilities, both short-term and long-term; The District’s funds do not currently contain non-financial assets, though they can    |
| <i>Type of inflow/outflow information</i>     | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid  |

The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

### **District-wide Statements**

The District-wide statements report information about the District using accounting methods like those used by private-sector companies. The statement of net position includes all the District’s assets and liabilities. All the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District’s net position and how it has changed. Net position is the difference between the District’s assets and liabilities and is one way to measure the District’s financial health or position.

- Over time, increases and decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities need to be considered.

In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, school administration, transportation, and administration. Property taxes and state formula aid (Local Control Funding Formula) finance most of these activities, which is derived mostly from average daily attendance.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District is required to establish other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements, which explains the relationship (or differences) between them.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total assets increased by .5 million. (See Table A-1).

**Table A-1**

|  | <b>Governmental<br/>Activities<br/>(In millions)</b> | <b>Governmental<br/>Activities<br/>(In millions)</b> |
|--|--|--|
|  | <b>2017</b>  | <b>2016</b>  |
| Current and other assets                           | \$ 47.3  | \$ 48.0  |
| Capital assets                                     | 88.6   | 86.7   |
| Total assets                                       | 135.9  | 134.7  |
| Deferred outflows of resources                     | 12.9   | 12.1   |
| Long-term debt outstanding                         | 143.9  | 139.8  |
| Other liabilities                                  | 4.1  | 3.1  |
| Total liabilities                                  | 148.0  | 142.9  |
| Deferred inflows of resources                      | 1.0  | 1.2  |
| Net assets   |  |  |
| Invested in capital assets,<br>net of related debt | 34.5   | 36.0   |
| Restricted for:                                    |  |  |
| Debt Service                                       |  | 15.5   |
| Educational Programs                               | 2.0  | 2.0  |
| Capital Projects                                   | 11.1   | 21.9   |
| Other Purposes (expendable)                        | 1.3  | 1.4  |
| Other Purposes (nonexpendable)                     | .1   | .1   |
| Unrestricted                                       | (49.2)   | (74.2)   |
| <b>Total Net Position</b>                          | <b>\$ (0.2)</b>                                      | <b>\$ 2.7</b>  |

**Changes in Net Position, Governmental Activities.** The District's total revenues were \$52.2 million and total expenses were \$55.2 million (See Table A-2).

The total cost of all programs and services was \$47.2 million. The District's expenses are predominantly related to educating and caring for students, 70.8%. The purely administrative activities of the District accounted for just 5.4% of total costs.

**Table A-2**

|   | <b>Governmental<br/>Activities<br/>(In millions)</b> | <b>Governmental<br/>Activities<br/>(In millions)</b> |
|---|--|--|
|   | <b>2017</b>  | <b>2016</b>  |
| Total Revenues                          | \$ 52.2  | \$ 48.1  |
| Total Expenses                          | 55.2   | 46.5   |
| <b>Increase (Decrease) Net Position</b> | <b>\$ (3.0)</b>                                      | <b>\$ 1.6</b>  |

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

The financial performance of the District is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$44.7 million, a decrease from last year’s ending fund balance of \$2.0 million.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$3,324,461 primarily to reflect federal and state budget actions
- Salaries and benefits costs –increased \$3,010,453 with increased benefits costs, 4% employee salary increase, and with new positions added for enrollment growth and administration.

While the District’s final budget for the General Fund anticipated expenditures would exceed revenues by about \$40,416, the actual results for the year show that expenditures surpassed revenues by \$40,355.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District invested almost \$110.4 million in capital assets by the end of 2016-17. (More detailed information about capital assets can be found in Note E to the financial statements.) Total depreciation expense for the year was approximately \$21.7 million.

**Table A-3 - Capital Assets at Year-End, Net of Depreciation**

|                          | <b>Governmental<br/>Activities<br/>(In millions)</b> | <b>Governmental<br/>Activities<br/>(In millions)</b> |
|--------------------------|--|--|
|                          | <b>2017</b>  | <b>2016</b>  |
| Land                     | \$ 18.60   | \$ 18.60   |
| Site improvements        | .60  | .64  |
| Buildings                | 64.29  | 66.08  |
| Machinery and Equipment  | .52  | .39  |
| Construction in Progress | 4.61   | .94  |
| <b>Total</b>             | <b>\$ 88.62</b>                                      | <b>\$ 86.65</b>                                      |

## Long-Term Debt

At year-end, the District had \$143.9 million in long-term debt— an increase of \$9.27 million from last year – as shown in Table A-4. (More detailed information about the District’s long-term liabilities is presented in Note K to the financial statements.)

**Table A-4 - Outstanding Long-Term Debt at Year-End**

|                         | <u>Total School District<br/>(In millions)</u> | <u>Total School District<br/>(In millions)</u> |
|-------------------------|--|--|
|                         | <u>2017</u>                                    | <u>2016</u>                                    |
| Special Tax Bonds       | \$ 107.63                                      | \$ 108.84                                      |
| Note Payable CFD 2004-1 | 3.54   | 4.10   |
| Net Pension Liability   | 32.12  | 26.26  |
| Redevelopment Agency    | .05  | .05  |
| QZAB Bonds              | .26  | .31  |
| Compensated Absences    | .12  | .10  |
| OPEB Obligation         | .17  | .14  |
| <b>Total</b>            | <u>\$143.89</u>                                | <u>\$139.80</u>                                |

## FACTORS BEARING ON THE DISTRICT’S FUTURE

The District cannot predict what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund schools during 2017-18 as budgeted.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

## CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District’s Business Office at (951) 926-9244.

## Basic Financial Statements



**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2017

|                                       | Governmental<br>Activities |
|---------------------------------------|----------------------------|
| <b>ASSETS:</b>                        |                            |
| Cash                                  | \$ 45,592,156              |
| Accounts Receivable                   | 1,651,880                  |
| Stores Inventories                    | 49,483                     |
| Capital Assets:                       |                            |
| Land                                  | 18,605,780                 |
| Land Improvements                     | 1,074,219                  |
| Buildings                             | 85,303,632                 |
| Equipment                             | 785,415                    |
| Work in Progress                      | 4,608,633                  |
| Less Accumulated Depreciation         | <u>(21,749,817)</u>        |
| Total Assets                          | <u>135,921,381</u>         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> | 12,880,587                 |
| <b>LIABILITIES:</b>                   |                            |
| Accounts Payable                      | 4,132,665                  |
| Unearned Revenue                      | 18,137                     |
| Long-Term Liabilities                 |                            |
| Due Within One Year                   | 1,773,680                  |
| Due in More Than One Year             | <u>142,121,728</u>         |
| Total Liabilities                     | <u>148,046,210</u>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  | 994,999                    |
| <b>NET POSITION:</b>                  |                            |
| Net Investment in Capital Assets      | 34,480,658                 |
| Restricted For:                       |                            |
| Capital Projects                      | 11,127,526                 |
| Educational Programs                  | 2,039,360                  |
| Other Purposes (expendable)           | 1,258,340                  |
| Other Purposes (nonexpendable)        | 52,483                     |
| Unrestricted                          | <u>(49,197,508)</u>        |
| Total Net Position                    | <u>\$ (239,241)</u>        |

The accompanying notes are an integral part of this statement.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs                            | Expenses             | Program Revenues     |                                    |                                  | Net (Expense)                       |
|---|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
|   |                      |                      |                                    |                                  | Governmental Activities             |
| <b>PRIMARY GOVERNMENT:</b>                    |                      |                      |                                    |                                  |                                     |
| Government Activities:                        |                      |                      |                                    |                                  |                                     |
| Instruction                                   | \$ 27,521,683        | \$ 562,469           | \$ 3,033,580                       | \$ 28,589                        | \$ (23,897,045)                     |
| Instruction-Related Services:                 |                      |                      |                                    |                                  |                                     |
| Instructional supervision and administration  | 2,302,731            | -                    | 168,944                            | -                                | (2,133,787)                         |
| Instructional library, media and technology   | 479,526              | 1,887                | 7,573                              | -                                | (470,066)                           |
| School site administration                    | 2,832,652            | -                    | 237,777                            | -                                | (2,594,875)                         |
| Pupil Services:                               |                      |                      |                                    |                                  |                                     |
| Home-to-school transportation                 | 509,973              | -                    | 2,079                              | -                                | (507,894)                           |
| Food services                                 | 2,571,074            | 125,226              | 2,452,460                          | -                                | 6,612                               |
| All other pupil services                      | 2,865,856            | -                    | 35,267                             | -                                | (2,830,589)                         |
| General Administration:                       |                      |                      |                                    |                                  |                                     |
| Centralized data processing                   | 864,452              | -                    | -                                  | -                                | (864,452)                           |
| All other general administration              | 2,138,351            | 25,237               | 173,425                            | -                                | (1,939,689)                         |
| Plant Services                                | 3,265,171            | 21,005               | 621,037                            | -                                | (2,623,129)                         |
| Ancillary Services                            | 249,972              | 6,994                | 200,940                            | -                                | (42,038)                            |
| Community Services                            | 106,378              | -                    | -                                  | -                                | (106,378)                           |
| Interest on long-term debt                    | 5,147,114            | -                    | -                                  | -                                | (5,147,114)                         |
| Other Outgo                                   | 2,477,210            | 189,125              | 146,700                            | -                                | (2,141,385)                         |
| Depreciation (unallocated)                    | 1,914,609            | -                    | -                                  | -                                | (1,914,609)                         |
| Total Governmental Activities                 | <u>55,246,752</u>    | <u>931,943</u>       | <u>7,079,782</u>                   | <u>28,589</u>                    | <u>(47,206,438)</u>                 |
| Total Primary Government                      | <u>\$ 55,246,752</u> | <u>\$ 931,943</u>    | <u>\$ 7,079,782</u>                | <u>\$ 28,589</u>                 | <u>(47,206,438)</u>                 |
| General Revenues:                             |                      |                      |                                    |                                  |                                     |
| Taxes and Subventions                         |                      |                      |                                    |                                  | 13,097,008                          |
| Federal and State Revenues                    |                      |                      |                                    |                                  | 30,407,671                          |
| Interest and Investment Earnings              |                      |                      |                                    |                                  | 130,592                             |
| Miscellaneous Revenues                        |                      |                      |                                    |                                  | 576,623                             |
| Total General Revenues                        |                      |                      |                                    |                                  | <u>44,211,894</u>                   |
| Change in Net Position                        |                      |                      |                                    |                                  | (2,994,544)                         |
| Net Position - Beginning as Restated (Note P) |                      |                      |                                    |                                  | <u>2,755,303</u>                    |
| Net Position - Ending                         |                      |                      |                                    |                                  | <u>\$ (239,241)</u>                 |

The accompanying notes are an integral part of this statement.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

|                                      | General<br>Fund     | Capital<br>Facilities<br>Fund |
|--------------------------------------|---------------------|-------------------------------|
|                                      | <u>          </u>   | <u>          </u>             |
| <b>ASSETS:</b>                       |                     |                               |
| Cash in County Treasury              | \$ 7,716,397        | \$ 8,966,463                  |
| Cash on Hand and in Banks            | 19,545              | 113,597                       |
| Cash in Revolving Fund               | 3,000               | -                             |
| Cash with a Fiscal Agent/Trustee     | -                   | -                             |
| Accounts Receivable                  | 1,104,500           | 22,015                        |
| Due from Other Funds                 | 205,217             | -                             |
| Stores Inventories                   | -                   | -                             |
| Total Assets                         | <u>9,048,659</u>    | <u>9,102,075</u>              |
| <b>LIABILITIES AND FUND BALANCE:</b> |                     |                               |
| Liabilities:                         |                     |                               |
| Accounts Payable                     | \$ 1,303,111        | \$ 458,749                    |
| Due to Other Funds                   | -                   | -                             |
| Unearned Revenue                     | 2,125               | -                             |
| Total Liabilities                    | <u>1,305,236</u>    | <u>458,749</u>                |
| Fund Balance:                        |                     |                               |
| Nonspendable Fund Balances:          |                     |                               |
| Revolving Cash                       | 3,000               | -                             |
| Stores Inventories                   | -                   | -                             |
| Restricted Fund Balances             | 2,039,359           | 8,643,326                     |
| Committed Fund Balances              | -                   | -                             |
| Assigned Fund Balances               | 4,331,396           | -                             |
| Unassigned:                          |                     |                               |
| Reserve for Economic Uncertainty     | 1,369,668           | -                             |
| Total Fund Balance                   | <u>7,743,423</u>    | <u>8,643,326</u>              |
| Total Liabilities and Fund Balances  | <u>\$ 9,048,659</u> | <u>\$ 9,102,075</u>           |

The accompanying notes are an integral part of this statement.

| County School<br>Facilities<br>Fund | Blended<br>Component<br>Unit | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|------------------------------|--------------------------------|--------------------------------|
| \$ 3,238,565                        | \$ -                         | \$ 3,493,537                   | \$ 23,414,962                  |
| -                                   | -                            | 13,292                         | 146,434                        |
| -                                   | -                            | -                              | 3,000                          |
| -                                   | 22,027,761                   | -                              | 22,027,761                     |
| 7,681                               | -                            | 517,684                        | 1,651,880                      |
| -                                   | -                            | -                              | 205,217                        |
| -                                   | -                            | 49,483                         | 49,483                         |
| <u>3,246,246</u>                    | <u>22,027,761</u>            | <u>4,073,996</u>               | <u>47,498,737</u>              |
| <br>                                |                              |                                |                                |
| \$ 749,465                          | \$ -                         | \$ 73,790                      | \$ 2,585,115                   |
| 12,580                              | -                            | 192,637                        | 205,217                        |
| -                                   | -                            | 16,012                         | 18,137                         |
| <u>762,045</u>                      | <u>-</u>                     | <u>282,439</u>                 | <u>2,808,469</u>               |
| <br>                                |                              |                                |                                |
| -                                   | -                            | -                              | 3,000                          |
| -                                   | -                            | 49,483                         | 49,483                         |
| 2,484,201                           | -                            | 1,065,089                      | 14,231,975                     |
| -                                   | -                            | 193,150                        | 193,150                        |
| -                                   | 22,027,761                   | 2,483,835                      | 28,842,992                     |
| -                                   | -                            | -                              | 1,369,668                      |
| <u>2,484,201</u>                    | <u>22,027,761</u>            | <u>3,791,557</u>               | <u>44,690,268</u>              |
| <br>                                |                              |                                |                                |
| \$ <u>3,246,246</u>                 | \$ <u>22,027,761</u>         | \$ <u>4,073,996</u>            | \$ <u>47,498,737</u>           |

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

Total fund balances - governmental funds balance sheet \$ 44,690,268

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

|  |                     |            |
|--|---------------------|------------|
| Capital assets relating to governmental activities, at historical cost | 110,377,679         |            |
| Accumulated depreciation   | <u>(21,749,817)</u> |            |
| Net  |                     | 88,627,862 |

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (1,547,551)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

|                              |                  |               |
|------------------------------|------------------|---------------|
| Special tax bonds            | 104,060,000      |               |
| Net OPEB obligation          | 171,202          |               |
| Net pension liability        | 32,122,295       |               |
| Compensated absences payable | 127,534          |               |
| QZAB bond payable            | 261,850          |               |
| CFD note payable             | 3,535,334        |               |
| Tax bond premium             | <u>3,567,193</u> |               |
| Total:                       |                  | (143,895,408) |

Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was: 5,689,633

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

|   |                  |
|---|------------------|
| Deferred outflows of resources relating to pensions | 7,190,954        |
| Deferred inflows of resources relating to pensions  | <u>(994,999)</u> |

Net position of governmental activities - statement of net position \$ (239,241)

The accompanying notes are an integral part of this statement.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

|  | <u>General<br/>Fund</u> | <u>Capital<br/>Facilities<br/>Fund</u> |
|--|-------------------------|--|
| Revenues:  |                         |  |
| LCFF Sources:  |                         |  |
| State Apportionment or State Aid                             | \$ 24,319,380           | \$ -                                   |
| Education Protection Account Funds                           | 4,664,628               | -                                      |
| Local Sources  | 4,204,837               | -                                      |
| Federal Revenue  | 1,817,038               | -                                      |
| Other State Revenue  | 3,763,417               | -                                      |
| Other Local Revenue  | 325,060                 | 1,646,906                              |
| Total Revenues   | <u>39,094,360</u>       | <u>1,646,906</u>                       |
| Expenditures:  |                         |  |
| Current:   |                         |  |
| Instruction  | 24,247,158              | -                                      |
| Instruction - Related Services                               | 4,846,920               | -                                      |
| Pupil Services   | 3,028,795               | -                                      |
| Ancillary Services   | 237,771                 | -                                      |
| Community Services   | 104,166                 | -                                      |
| General Administration                                       | 2,625,505               | 43,876                                 |
| Plant Services   | 2,876,526               | 18,740                                 |
| Other Outgo  | 421,790                 | -                                      |
| Capital Outlay   | 688,763                 | 490,021                                |
| Debt Service:  |                         |  |
| Principal  | 57,370                  | -                                      |
| Interest   | -                       | 434,497                                |
| Total Expenditures   | <u>39,134,764</u>       | <u>987,134</u>                         |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(40,404)</u>         | <u>659,772</u>                         |
| Net Change in Fund Balance                                   | (40,404)                | 659,772                                |
| Fund Balance, July 1   | <u>7,783,827</u>        | <u>7,983,554</u>                       |
| Fund Balance, June 30  | <u>\$ 7,743,423</u>     | <u>\$ 8,643,326</u>                    |

The accompanying notes are an integral part of this statement.

| County School<br>Facilities<br>Fund | Blended<br>Component<br>Unit | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|------------------------------|--------------------------------|--------------------------------|
| \$ -                                | \$ -                         | \$ -                           | \$ 24,319,380                  |
| -                                   | -                            | -                              | 4,664,628                      |
| -                                   | -                            | -                              | 4,204,837                      |
| -                                   | -                            | 2,531,522                      | 4,348,560                      |
| -                                   | -                            | 681,482                        | 4,444,899                      |
| 28,589                              | 8,203,560                    | 200,270                        | 10,404,385                     |
| 28,589                              | 8,203,560                    | 3,413,274                      | 52,386,689                     |
| -                                   | -                            | 359,747                        | 24,606,905                     |
| -                                   | -                            | 113,216                        | 4,960,136                      |
| -                                   | -                            | 2,626,499                      | 5,655,294                      |
| -                                   | -                            | -                              | 237,771                        |
| -                                   | -                            | -                              | 104,166                        |
| -                                   | -                            | 92,460                         | 2,761,841                      |
| 42,438                              | -                            | 238,954                        | 3,176,658                      |
| -                                   | 2,055,420                    | -                              | 2,477,210                      |
| 2,312,418                           | -                            | 117,415                        | 3,608,617                      |
| -                                   | 1,590,279                    | -                              | 1,647,649                      |
| -                                   | 4,731,715                    | -                              | 5,166,212                      |
| 2,354,856                           | 8,377,414                    | 3,548,291                      | 54,402,459                     |
| (2,326,267)                         | (173,854)                    | (135,017)                      | (2,015,770)                    |
| (2,326,267)                         | (173,854)                    | (135,017)                      | (2,015,770)                    |
| 4,810,468                           | 22,201,615                   | 3,926,574                      | 46,706,038                     |
| \$ 2,484,201                        | \$ 22,027,761                | \$ 3,791,557                   | \$ 44,690,268                  |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds \$ (2,015,770)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

|                                 |                    |     |           |
|---------------------------------|--------------------|-----|-----------|
| Expenditures for capital outlay | 3,885,688          |     |           |
| Depreciation expense            | <u>(1,914,609)</u> |     |           |
|                                 |                    | Net | 1,971,079 |

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

1,647,649

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:

212,798

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when the employer contributions are made. In the statement of activities, costs are measured and recognized in relation to the annual required contribution. The annual required contribution is the normal costs related to the current period plus a calculated amount necessary to systematically amortize any unfunded liability in accordance with generally accepted accounting principles. This year, the difference between the annual required contribution and amounts actually funded was:

(22,165)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(4,573,815)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(20,619)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:

(193,701)

Change in net position of governmental activities - statement of activities \$ (2,994,544)

The accompanying notes are an integral part of this statement.



**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

|                           | Agency<br>Fund          |
|---------------------------|-------------------------|
|                           | Student<br>Body<br>Fund |
| <b>ASSETS:</b>            |                         |
| Cash on Hand and in Banks | \$ 64,728               |
| Total Assets              | <u>64,728</u>           |
| <b>LIABILITIES:</b>       |                         |
| Due to Student Groups     | \$ 64,728               |
| Total Liabilities         | <u>64,728</u>           |
| <b>NET POSITION:</b>      |                         |
| Total Net Position        | <u>\$ -</u>             |

The accompanying notes are an integral part of this statement.

# ROMOLAND ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

### A. Summary of Significant Accounting Policies

Romoland Elementary School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

#### 1. Reporting Entity

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental reporting "entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The Romoland Community Facilities Districts (CFDs) have a financial and operational relationship which meet the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the CFDs as component units of the District. Therefore, the financial activities of the CFDs have been included in the basic financial statements of the District as a blended component unit.

The following are those aspects of the relationship between the District and the CFDs which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

#### Manifestations of Oversight

- a. The CFDs Boards of Directors were appointed by the District's Board of Education.
- b. The CFDs have no employees. The District's Superintendent, Chief Business Official, and other employees of the District function as agents of the CFDs. None of the aforementioned individuals receive additional compensation for work performed in this capacity.
- c. The District exercises significant influence over operations of the CFDs.

#### Accounting for Fiscal Matters

- a. All major financing arrangements, contracts, and other transactions of the CFDs must have consent of the District.

#### Scope of Public Service and Financial Presentation

- a. The CFDs were created for the sole purpose of financially assisting the District.
- b. The CFDs were created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority (CSCDA), pursuant to the California Government Code, commencing with Section 6500. The CFDs were formed to provide financing assistance to the District for construction and acquisition of major capital facilities.
- c. The CFDs financial activity are presented in the financial statements in the Capital Projects Fund for Blended Component Units. Debt issued by the CFDs are included in the government-wide financial statements.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Project Fund for Blended Component Units. This fund is used to account for the financial activity related to the special tax bonds.

County School Facilities Fund. This fund is used to account for apportionments received from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

Capital Facilities Fund: This fund is used to account for the acquisition of capital assets from the use of developer fees.

The District reports the following major enterprise funds:

In addition, the District reports the following fund types:

Special Revenue Funds. These are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains three non-major special revenue funds, the Child Development Fund, Deferred Maintenance Fund and the Cafeteria Fund.

Capital Projects Funds. These funds are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains two non-major capital projects funds, the Capital Facilities Fund, and the Special Reserve Fund for Capital Outlay.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

# ROMOLAND ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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 year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Riverside County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with Riverside County Treasury was not not available.

# ROMOLAND ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u>    | <u>Estimated Useful Lives</u> |
|-----------------------|-------------------------------|
| Buildings             | 25-50                         |
| Building Improvements | 25-50                         |
| Vehicles              | 8                             |
| Office Equipment      | 15-20                         |
| Computer Equipment    | 15-20                         |

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Unearned Revenue

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

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's notes to which they apply until you save your work. The process of saving converts these entries. Committed amounts cannot be used for any other purpose unless the notes to which they apply until you save your work. The process of saving converts these entries removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the notes to which they apply until you save your work. The process of saving converts these entries. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the notes to which they apply until you save your work. The process of saving converts these entries or by an official or body to which the notes to which they apply until you save your work. The process of saving converts these entries delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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When an expenditure is incurred for a purpose 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.

i. Minimum Fund Balance

The District has adopted a policy to maintain a minimum economic uncertainty reserve of at least 3.5% of total general fund expenditures and other financing uses. The reserve may be increased from time to time in order to address specific anticipated revenue or cash flow shortfalls. It is the District's intent to continuously sustain a 3.5% economic uncertainty reserve. The primary purpose of this reserve is to avoid the need for services level reductions in the event of economic downturn. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

|                         |                               |
|-------------------------|-------------------------------|
| Valuation Date (VD)     | June 30, 2015                 |
| Measurement Date (MD)   | June 30, 2016                 |
| Measurement Period (MP) | July 1, 2015 to June 30, 2016 |

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.



**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

10. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs: Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

11. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other THAN Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability

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

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

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

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

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

GASB Statement No. 77 - Tax Abatement Disclosures

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

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

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None reported    | Not applicable      |

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit<br/>Amount</u> | <u>Remarks</u> |
|------------------|---------------------------|----------------|
| None reported    | Not applicable            | Not applicable |

**C. Cash and Investments**

**1. Cash in County Treasury:**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Riverside County Treasury as part of the common investment pool (\$23,414,962 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$23,414,962. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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 investments in the pool is reported in the accounting financial statements as 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 the 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.

# ROMOLAND ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

The Riverside County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$211,162 as of June 30, 2017) and in the revolving fund (\$3,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2017 are shown below.

| <u>Investment or Investment Type</u>      | <u>Amount<br/>Reported</u> |
|---|----------------------------|
| First American Government Obligation Fund | \$ 11,802,631              |
| US Bank Money Market Fund                 | 9,990,410                  |
| Investment Contract                       | 234,720                    |
| Total Investments                         | <u>\$ 22,027,761</u>       |

4. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

| <u>Authorized Investment Type</u>       | <u>Maximum<br/>Remaining<br/>Maturity</u> | <u>Maximum<br/>Percentage<br/>of Portfolio</u> | <u>Maximum<br/>Investment in<br/>One Issuer</u> |
|---|---|--|---|
| 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            | N/A                                       | None   | None  |
| Joint Powers Authority Pools            | N/A                                       | None   | None  |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

5. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The Riverside County Investment Pool is rated AAAf/S1 by Standard & Poors. At year end the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2017, the District's bank balances (including revolving cash) of \$214,162 was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

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. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in 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 county pool.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

6. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable

Accounts receivable as of June 30, 2017 consist of the following:

|                        | <u>Major Governmental Funds</u> |  |  |  |   |
|------------------------|---------------------------------|--|--|--|---|
|                        | <u>General<br/>Fund</u>         | <u>Capital<br/>Facilities<br/>Fund</u> | <u>County School<br/>Facilities<br/>Fund</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
| Federal Government     |                                 |  |  |  |   |
| Federal Programs       | \$ 292,364                      | \$ -                                   |  | \$ 372,083                                 | \$ 664,447                              |
| State Government:      |                                 |  |  |  |   |
| Lottery                | 155,704                         | -                                      | -  | -  | 155,704                                 |
| Other State Programs   | 63,426                          | -                                      | -  | 112,704                                    | 176,130                                 |
| Local Sources:         |                                 |  |  |  |   |
| Interest               | 18,215                          | 22,015                                 | 7,681  | 8,882                                      | 56,793                                  |
| Drought Response Grant | 443,152                         | -                                      | -  | -  | 443,152                                 |
| Special Education      | 47,430                          | -                                      | -  | -  | 47,430                                  |
| Other Local Revenues   | 84,209                          | -                                      |  | 24,105                                     | 108,224                                 |
| Totals                 | <u>\$ 1,104,500</u>             | <u>\$ 22,015</u>                       | <u>7,681</u>                                 | <u>\$ 517,684</u>                          | <u>1,651,880</u>                        |

All accounts receivable are deemed fully collectible and as such no allowance for doubtful accounts has been established.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**E. Capital Assets**

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

|   | Beginning<br>Balances | Increases           | Decreases   | Ending<br>Balances   |
|---|-----------------------|---------------------|-------------|----------------------|
| <u>Governmental activities:</u>             |                       |                     |             |                      |
| Capital assets not being depreciated:       |                       |                     |             |                      |
| Land  | \$ 18,605,780         | \$ -                | \$ -        | \$ 18,605,780        |
| Work in progress                            | 935,659               | 3,672,974           | -           | 4,608,633            |
| Total capital assets not being depreciated  | <u>19,541,439</u>     | <u>3,672,974</u>    | <u>-</u>    | <u>23,214,413</u>    |
| Capital assets being depreciated:           |                       |                     |             |                      |
| Buildings                                   | 85,275,079            | 28,553              | -           | 85,303,632           |
| Improvements                                | 1,065,849             | 8,370               | -           | 1,074,219            |
| Equipment                                   | 609,623               | 175,792             | -           | 785,415              |
| Total capital assets being depreciated      | <u>86,950,551</u>     | <u>212,715</u>      | <u>-</u>    | <u>87,163,266</u>    |
| Less accumulated depreciation for:          |                       |                     |             |                      |
| Buildings                                   | (19,195,220)          | (1,817,284)         | -           | (21,012,504)         |
| Improvements                                | (421,584)             | (49,493)            | -           | (471,077)            |
| Equipment                                   | (218,404)             | (47,832)            | -           | (266,236)            |
| Total accumulated depreciation              | <u>(19,835,208)</u>   | <u>(1,914,609)</u>  | <u>-</u>    | <u>(21,749,817)</u>  |
| Total capital assets being depreciated, net | <u>67,115,343</u>     | <u>(1,701,894)</u>  | <u>-</u>    | <u>65,413,449</u>    |
| Governmental activities capital assets, net | <u>\$ 86,656,782</u>  | <u>\$ 1,971,080</u> | <u>\$ -</u> | <u>\$ 88,627,862</u> |

Depreciation was charged to functions as follows:

|             |                     |
|-------------|---------------------|
| Unallocated | \$ 1,914,609        |
|             | <u>\$ 1,914,609</u> |

**F. Deferred Outflows of Resources**

The District issued refunding bonds in July 2015 and as a result of the calculated gain or loss, a loss on refunding in the amount of \$5,776,166 was recognized as deferred outflow of resources. The loss on refunding will be amortized over eighteen years based on the debt service of the old refunded bonds.

The District issued refunding bonds in November 2015 and as a result of the calculated gain or loss, a loss on refunding in the amount of \$600,000 was recognized as deferred outflow of resources. The loss on refunding will be amortized over nineteen years based on the debt service of the new refunding bonds.

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2017 is as follows:

| Description                          | Issue Date | Amortization<br>Term | Balance<br>July 1, 2016 | Additions           | Current Year<br>Amortization | Balance<br>June 30, 2017 |
|--------------------------------------|------------|----------------------|-------------------------|---------------------|------------------------------|--------------------------|
| Pension Related                      | 06/30/2015 | Varies               | \$ 6,077,489            | \$ 4,583,388        | \$ 3,469,923                 | \$ 7,190,954             |
| Refunding Loss                       | 07/01/2015 | 18 Years             | 5,455,268               | -                   | 320,898                      | 5,134,370                |
| Refunding Loss                       | 11/05/2015 | 19 Years             | 586,842                 | -                   | 31,579                       | 555,263                  |
| Total Deferred Outflows of Resources |            |                      | <u>\$ 12,119,599</u>    | <u>\$ 4,583,388</u> | <u>\$ 3,822,400</u>          | <u>\$ 12,880,587</u>     |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

Future amortization of deferred outflows of resources is as follows:

| Year Ending<br>June 30 | Pension<br>Related | 2015<br>Refunding<br>Bonds | 2015A<br>Refunding<br>Bonds | Total         |
|------------------------|--------------------|----------------------------|-----------------------------|---------------|
| 2018                   | \$ 4,247,500       | \$ 320,898                 | \$ 31,579                   | \$ 4,599,977  |
| 2019                   | 1,307,399          | 320,898                    | 31,579                      | 1,659,876     |
| 2020                   | 1,307,399          | 320,898                    | 31,579                      | 1,659,876     |
| 2021                   | 328,656            | 320,898                    | 31,579                      | 681,133       |
| 2022                   | -                  | 320,898                    | 31,579                      | 352,477       |
| 2023-2027              | -                  | 1,604,490                  | 157,895                     | 1,762,385     |
| 2028-2032              | -                  | 1,604,490                  | 157,895                     | 1,762,385     |
| 2033-2037              | -                  | 320,900                    | 81,578                      | 402,478       |
| Total                  | \$ 7,190,954       | \$ 5,134,370               | \$ 555,263                  | \$ 12,880,587 |

**G. Deferred Inflows of Resources**

In accordance with GASB Statement No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of the deferred inflow of resources as of June 30, 2017 is as follows:

| Description                         | Issue Date | Amortization<br>Term | Balance<br>July 1, 2016 | Additions  | Current Year<br>Amortization | Balance<br>June 30, 2017 |
|-------------------------------------|------------|----------------------|-------------------------|------------|------------------------------|--------------------------|
| Pension related                     | 06/30/2015 | 4 Years              | \$ 1,207,750            | \$ 203,324 | \$ 416,075                   | \$ 994,999               |
| Total Deferred Inflows of Resources |            |                      | \$ 1,207,750            | \$ 203,324 | \$ 416,075                   | \$ 994,999               |

Future amortization of deferred inflows of resources is as follows:

| Year Ending<br>June 30 | Pension<br>Related |
|------------------------|--------------------|
| 2018                   | \$ 416,075         |
| 2019                   | 416,075            |
| 2020                   | 122,187            |
| 2021                   | 40,662             |
| Total                  | \$ 994,999         |

**H. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds consisted of the following:

| Due To Fund  | Due From Fund                 | Amount     | Purpose               |
|--------------|-------------------------------|------------|-----------------------|
| General Fund | County School Facilities Fund | \$ 12,580  | Expense reimbursement |
| General Fund | Child Nutrition Fund          | 100,177    | Expense reimbursement |
| General Fund | Child Development Fund        | 92,460     | Expense reimbursement |
|              | Total                         | \$ 205,217 |                       |

All amounts due are scheduled to be repaid within one year.



**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

J. Accounts Payable

Accounts payable as of June 30, 2017 consist of the following:

|                           | Major Governmental Funds |                         |                               |                             | Total Governmental Funds |
|---------------------------|--------------------------|-------------------------|-------------------------------|-----------------------------|--------------------------|
|                           | General Fund             | Capital Facilities Fund | County School Facilities Fund | Nonmajor Governmental Funds |                          |
| Vendor payables           | \$ 676,156               | \$ 458,749              | \$ 749,465                    | \$ 73,790                   | \$ 1,958,160             |
| Special education         | 625,362                  | -                       | -                             | -                           | 625,362                  |
| Payroll and payroll taxes | 1,593                    | -                       | -                             | -                           | 1,593                    |
| Totals                    | <u>\$ 1,303,111</u>      | <u>\$ 458,749</u>       | <u>\$ 749,465</u>             | <u>\$ 73,790</u>            | <u>\$ 2,585,115</u>      |

K. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2017, are as follows:

|                                 | Beginning Balance     | Increases            | Decreases           | Ending Balance        | Amounts Due Within One Year |
|---------------------------------|-----------------------|----------------------|---------------------|-----------------------|-----------------------------|
| <u>Governmental activities:</u> |                       |                      |                     |                       |                             |
| Special tax bonds               | \$ 105,085,000        | \$ -                 | \$ 1,025,000        | \$ 104,060,000        | \$ 1,430,000                |
| Special tax bond premium        | 3,839,882             | -                    | 162,602             | 3,677,280             | 162,602                     |
| Unamortized discount            | (113,913)             | -                    | (3,826)             | (110,087)             | (3,826)                     |
| QZAB bonds                      | 314,220               | -                    | 52,370              | 261,850               | 52,370                      |
| Note payable CFD 2004-1         | 4,100,613             | -                    | 565,279             | 3,535,334             | -                           |
| Compensated absences            | 106,915               | 20,619               | -                   | 127,534               | 127,534                     |
| Note payable RDA                | 55,000                | -                    | 5,000               | 50,000                | 5,000                       |
| Net pension liability           | 26,222,264            | 10,701,141           | 4,801,110           | 32,122,295            | -                           |
| Net OPEB obligation             | 149,037               | 22,165               | -                   | 171,202               | -                           |
| Total governmental activities   | <u>\$ 139,759,018</u> | <u>\$ 10,743,925</u> | <u>\$ 6,607,535</u> | <u>\$ 143,895,408</u> | <u>\$ 1,773,680</u>         |

2. Special Tax Bonds

Community Facilities District No. 91-1

In June 2002, CFD No. 91-1 issued Special Tax Bonds in the amount of \$4,500,000. The issue consisted of a) \$635,000 Serial Bonds with interest rates ranging from 4.7% to 6.1% and fully maturing September 1, 2020, b) \$1,100,000 Term Bonds with a stated interest rate of 6.3% due September 1, 2027, c) \$1,705,000 Term Bonds with a stated interest rate of 6.375% due September 1, 2033, and d) \$1,050,000 Term Bonds with a stated interest rate of 6.375% due September 1, 2033. The proceeds were used to finance the acquisition and construction of a portion of a kindergarten through eighth grade school facility for the District, to finance certain improvements to secondary school facilities of the Perris Union High School District, to fund the Escrow Fund, to fund the Reserve Account securing the bonds, to pay costs of issuance, and to fund a portion of the interest due March 1, 2003 on the principal amount of the bonds not on deposit in the Escrow Fund.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

A portion of the proceeds were also used to refund CFD No. 91-1 Series A of 1993 Special Tax Bonds originally issued in the aggregate amount of \$545,000.

The outstanding balance of the bonds at June 30, 2017 was \$4,105,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------|---------------------|---------------------|---------------------|
| 2018                        | \$ 90,000           | \$ 259,594          | \$ 349,594          |
| 2019                        | 105,000             | 254,224             | 359,224             |
| 2020                        | 120,000             | 247,870             | 367,870             |
| 2021                        | 130,000             | 240,513             | 370,513             |
| 2022                        | 145,000             | 232,500             | 377,500             |
| 2023-2027                   | 1,015,000           | 1,001,419           | 2,016,419           |
| 2028-2032                   | 1,625,000           | 607,703             | 2,232,703           |
| 2033-2037                   | 875,000             | 84,787              | 959,787             |
| Totals                      | <u>\$ 4,105,000</u> | <u>\$ 2,928,610</u> | <u>\$ 7,033,610</u> |

Community Facilities District No. 91-1

In October 2004, CFD NO. 91-1 issued 2004 Special Tax Bonds in the amount of \$3,740,000. The issue consisted of a) \$1,065,000 Serial Bonds with interest rates ranging from 2.2% to 5.35% and fully maturing September 1, 2024, b) \$670,000 Term Bonds with a stated interest rate of 5.4% due September 1, 2028, and c) \$2,005,000 Term Bonds with a stated interest rate of 5.5% due September 1, 2034.

The outstanding balance of the bonds at June 30, 2017 was \$3,445,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------|---------------------|---------------------|---------------------|
| 2018                        | \$ 65,000           | \$ 186,085          | \$ 251,085          |
| 2019                        | 70,000              | 182,998             | 252,998             |
| 2020                        | 75,000              | 179,567             | 254,567             |
| 2021                        | 90,000              | 175,818             | 265,818             |
| 2022                        | 100,000             | 171,227             | 271,227             |
| 2023-2027                   | 675,000             | 765,138             | 1,440,138           |
| 2028-2032                   | 1,035,000           | 546,420             | 1,581,420           |
| 2033-2037                   | 1,335,000           | 176,275             | 1,511,275           |
| Totals                      | <u>\$ 3,445,000</u> | <u>\$ 2,383,528</u> | <u>\$ 5,828,528</u> |

Community Facilities District No. 04-1

In March 2015, CFD No. 04-1 issued 2015 Special Tax Bonds in the amount of \$11,000,000. The issue consisted of a) \$2,225,000 Serial Bonds with interest rates ranging from 2.00% to 3.75% and fully maturing September 1, 2034, and b) \$8,775,000 Term Bonds with a stated interest rate of 5.00% due September 1, 2045.

## ROMOLAND ELEMENTARY SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

The outstanding balance of the bonds at June 30, 2017 was \$11,000,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-----------------------------|----------------------|----------------------|----------------------|
| 2018                        | \$ 20,000            | \$ 426,075           | \$ 446,075           |
| 2019                        | 25,000               | 425,625              | 450,625              |
| 2020                        | 35,000               | 425,025              | 460,025              |
| 2021                        | 45,000               | 424,225              | 469,225              |
| 2022                        | 60,000               | 423,025              | 483,025              |
| 2023-2027                   | 470,000              | 2,079,862            | 2,549,862            |
| 2028-2032                   | 845,000              | 1,970,313            | 2,815,313            |
| 2033-2037                   | 1,320,000            | 1,773,844            | 3,093,844            |
| 2038-2042                   | 1,945,000            | 1,452,900            | 3,397,900            |
| 2043-2047                   | 6,235,000            | 672,500              | 6,907,500            |
| Totals                      | <u>\$ 11,000,000</u> | <u>\$ 10,073,394</u> | <u>\$ 21,073,394</u> |

#### Community Facilities District No. 04-1

In April 2015, CFD No. 04-1 issued 2015 Special Tax Bonds in the amount of \$2,235,000. The issue consisted of a) \$550,000 Serial Bonds with interest rates ranging from 2.00% to 3.50% and fully maturing September 1, 2030, and b) \$1,685,000 Term Bonds with stated interest rates ranging from 3.75% to 4.00% due September 1, 2045.

The outstanding balance of the bonds at June 30, 2017 was \$2,220,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------|---------------------|---------------------|---------------------|
| 2018                        | \$ 20,000           | \$ 80,456           | \$ 100,456          |
| 2019                        | 20,000              | 80,056              | 100,056             |
| 2020                        | 25,000              | 79,606              | 104,606             |
| 2021                        | 25,000              | 79,075              | 104,075             |
| 2022                        | 30,000              | 78,456              | 108,456             |
| 2023-2027                   | 190,000             | 378,347             | 568,347             |
| 2028-2032                   | 290,000             | 340,000             | 630,000             |
| 2033-2037                   | 420,000             | 276,000             | 696,000             |
| 2038-2042                   | 580,000             | 182,650             | 762,650             |
| 2043-2047                   | 620,000             | 51,600              | 671,600             |
| Totals                      | <u>\$ 2,220,000</u> | <u>\$ 1,626,246</u> | <u>\$ 3,846,246</u> |

#### Community Facilities District No. 91-1

In March 2012, CFD No. 91-1 issued 2011 Special Tax Bonds in the amount of \$4,630,000. The issue consisted of a) \$1,290,000 Serial Bonds with interest rates ranging from 1.00% to 5.65% and fully maturing September 1, 2031, and b) \$3,340,000 Term Bonds with a stated interest rates ranging from 6.00% to 6.05% due September 1, 2037.

## ROMOLAND ELEMENTARY SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

The outstanding balance of the bonds at June 30, 2017 was \$4,555,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------|---------------------|---------------------|---------------------|
| 2018                        | \$ 20,000           | \$ 263,375          | \$ 283,375          |
| 2019                        | 25,000              | 262,625             | 287,625             |
| 2020                        | 35,000              | 261,625             | 296,625             |
| 2021                        | 40,000              | 260,138             | 300,138             |
| 2022                        | 50,000              | 258,338             | 308,338             |
| 2023-2027                   | 375,000             | 1,248,557           | 1,623,557           |
| 2028-2032                   | 670,000             | 1,122,019           | 1,792,019           |
| 2033-2037                   | 2,880,000           | 831,600             | 3,711,600           |
| 2038-2042                   | 460,000             | 27,600              | 487,600             |
| Totals                      | <u>\$ 4,555,000</u> | <u>\$ 4,535,877</u> | <u>\$ 9,090,877</u> |

#### Community Facilities District No. 2006-1

In November 2011, CFD No. 2006-1 issued 2011 Special Tax Bonds in the amount of \$3,620,000. The issue consisted of a) \$1,175,000 Serial Bonds with interest rates ranging from 1.00% to 5.75% and fully maturing September 1, 2031, and b) \$2,445,000 Term Bonds with interest rates ranging from 6.00% to 6.050% due September 1, 2041.

The outstanding balance of the bonds at June 30, 2017 was \$3,560,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------|---------------------|---------------------|---------------------|
| 2018                        | \$ 20,000           | \$ 204,900          | \$ 224,900          |
| 2019                        | 25,000              | 204,150             | 229,150             |
| 2020                        | 35,000              | 203,150             | 238,150             |
| 2021                        | 40,000              | 201,662             | 241,662             |
| 2022                        | 45,000              | 199,863             | 244,863             |
| 2023-2027                   | 350,000             | 958,356             | 1,308,356           |
| 2028-2032                   | 600,000             | 841,444             | 1,441,444           |
| 2033-2037                   | 965,000             | 628,200             | 1,593,200           |
| 2038-2042                   | 1,480,000           | 280,800             | 1,760,800           |
| Totals                      | <u>\$ 3,560,000</u> | <u>\$ 3,722,525</u> | <u>\$ 7,282,525</u> |

#### Community Facilities District No.04-1

In May 2013, CFD No. 04-1 issued Series 2013 Special Tax Bonds in the amount of \$21,815,000. The bonds were issued by CFD No. 04-1 of the District to refund the District's Series 2011 Special Tax Bonds issued in the aggregate principal amount of \$13,180,000, and outstanding in the aggregate principal amount of \$13,065,000, to finance certain elementary and intermediate school facilities to be owned by the District, and other public facilities, to fund a reserve account securing the bonds and to pay costs of issuance of the bonds. The issue consisted of a) \$8,100,000 Serial Bonds with interest rates ranging from 2.00% to 4.50% and fully maturing September 1, 2033; b) \$3,095,000 Term Bonds with a stated interest rate of 5.00% due September 1, 2036, and c) \$10,620,000 Term Bonds with a stated interest rate of 5.00% due September 1, 2043.

The net proceeds of \$13,845,290 were deposited into a separate escrow fund for the refunding of the Series 2011 Special Tax Bonds with \$7,734,626 deposited into school facilities and non-school facilities funds and the remaining funds were deposited to debt service reserve and costs of issuance funds.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

The outstanding balance of the bonds at June 30, 2017 was \$21,415,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-----------------------------|----------------------|----------------------|----------------------|
| 2018                        | \$ 140,000           | \$ 1,023,837         | \$ 1,163,837         |
| 2019                        | 170,000              | 1,019,188            | 1,189,188            |
| 2020                        | 200,000              | 1,013,637            | 1,213,637            |
| 2021                        | 230,000              | 1,007,188            | 1,237,188            |
| 2022                        | 260,000              | 998,537              | 1,258,537            |
| 2023-2027                   | 1,880,000            | 4,786,563            | 6,666,563            |
| 2028-2032                   | 3,135,000            | 4,192,812            | 7,327,812            |
| 2033-2037                   | 4,780,000            | 3,282,163            | 8,062,163            |
| 2038-2042                   | 7,025,000            | 1,828,125            | 8,853,125            |
| 2043-2047                   | 3,595,000            | 182,875              | 3,777,875            |
| Totals                      | <u>\$ 21,415,000</u> | <u>\$ 19,334,925</u> | <u>\$ 40,749,925</u> |

2015 Special Tax Refunding Bonds CFD No. 2004-1

On July 1, 2015 CFD No. 2004-1 issued \$43,095,000 of 2015 Special Tax Refunding Bonds. The bonds were issued to refund the District's Series 2005 Special Tax Bonds Improvement Area 1, issued in the aggregate principal amount of \$24,235,000 and outstanding in the aggregate principal amount of \$23,395,000 and the District's Series 2005 Special Tax Bonds Improvement Area 2, issued in the aggregate principal amount of \$18,115,000, and outstanding in the aggregate principal amount of \$17,530,000. In addition, the funds were used to repay a portion of a site acquisition note delivered by the District in connection with the acquisition of a school site, and to fund a reserve account securing the refunding bonds, and to pay cost of issuance associated with the refunding bonds. The issue consisted of a) \$24,910,000 Serial Bonds with interest rates ranging from 3.00% to 5.00% and fully maturing September 1, 2032; and b) \$18,185,000 Term Bonds with a stated interest rate of 5.00% due September 1, 2038.

The net proceeds of \$51,347,279 (after premium of \$3,302,196 and utilization of 2005 prior bond funds remaining of \$4,950,083) were used to refund the 2005 Special Tax Bonds, repay a portion of the site acquisition note, and fund a reserve account and cost of issuance account for the 2015 refunding bonds. Net proceeds of \$24,022,267 were deposited into a separate escrow fund for the refunding of the 2005 Series Special Tax Bonds Improvement Area 1 with net proceeds of \$17,996,067 deposited into a separate escrow fund for the refunding of the 2005 Series Special Tax Bonds Improvement Area 2. In addition, proceeds of \$4,856,079 were used to pay a portion of principal and interest on the site acquisition note with remaining proceeds of \$3,963,250 being deposited to a reserve account and \$509,616 in proceeds being deposited to a cost of issuance account for the 2015 refunding bonds.

The outstanding balance of the bonds at June 30, 2017 was \$42,810,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-----------------------------|----------------------|----------------------|----------------------|
| 2018                        | \$ 695,000           | \$ 2,083,050         | \$ 2,778,050         |
| 2019                        | 765,000              | 2,062,200            | 2,827,200            |
| 2020                        | 850,000              | 2,039,250            | 2,889,250            |
| 2021                        | 940,000              | 2,005,250            | 2,945,250            |
| 2022                        | 1,035,000            | 1,964,650            | 2,999,650            |
| 2023-2027                   | 6,950,000            | 9,000,750            | 15,950,750           |
| 2028-2032                   | 10,700,000           | 6,910,250            | 17,610,250           |
| 2033-2037                   | 15,275,000           | 3,776,000            | 19,051,000           |
| 2038-2042                   | 5,600,000            | 419,000              | 6,019,000            |
| Totals                      | <u>\$ 42,810,000</u> | <u>\$ 30,260,400</u> | <u>\$ 73,070,400</u> |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

2015A Local Agency Refunding Bonds

On November 5, 2015 Romoland School District Public Financing Authority issued \$11,395,000 of 2015A Local Agency Refunding Bonds. The bonds were issued to refund the District's Series 2002 Special Tax Bonds CFD 2000-1 issued in the aggregate principal amount of \$3,630,000 and outstanding in the aggregate principal amount of \$3,330,000, Series 2004A Special Tax Bonds CFD 2002-1 issued in the aggregate principal amount of \$2,545,000 and outstanding in the aggregate principal amount of \$1,970,000, and Series 2005 Special Tax Bonds CFD 2002-2 issued in the aggregate principal amount of \$5,935,000 and outstanding in the aggregate principal amount of \$5,495,000. In addition, the funds were used to fund a reserve account securing the refunding bonds, and to pay cost of issuance associated with the refunding bonds. The issue consisted of \$11,395,000 of Serial Bonds with interest rates ranging from 2.00% to 4.00% and fully maturing September 1, 2035.

The net proceeds of \$12,474,253 (after utilization of the prior bonds reserve accounts remaining funds of \$1,079,253) were used to refund the Series 2002 CFD 2000-1, Series 2004A CFD 2002-1, and Series 2005 CFD 2002-2 Special Tax Bonds, and fund a reserve account and cost of issuance account for the 2015A refunding bonds. Net proceeds of \$11,087,076 were deposited into an escrow fund to refund the prior bonds, \$958,800 in proceeds was deposited into a reserve account and \$428,377 in proceeds was deposited to a cost of issuance account for the 2015A refunding bonds.

The outstanding balance of the bonds at June 30, 2017 was \$10,950,000. The annual requirements to amortize the bonds are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|-----------------------------|----------------------|---------------------|----------------------|
| 2018                        | \$ 360,000           | \$ 370,656          | \$ 730,656           |
| 2019                        | 385,000              | 363,206             | 748,206              |
| 2020                        | 400,000              | 355,356             | 755,356              |
| 2021                        | 415,000              | 347,206             | 762,206              |
| 2022                        | 440,000              | 336,456             | 776,456              |
| 2023-2027                   | 2,640,000            | 1,445,066           | 4,085,066            |
| 2028-2032                   | 3,515,000            | 897,256             | 4,412,256            |
| 2033-2037                   | 2,795,000            | 197,700             | 2,992,700            |
| Totals                      | <u>\$ 10,950,000</u> | <u>\$ 4,312,902</u> | <u>\$ 15,262,902</u> |

3. Note Payable CFD 2004-1

In February 2006, the District issued a note for \$11,190,000 to cover the cost of the purchase of land for CFD No. 2004-1(Heritage Lake). In the note, CFD No. 2004-1 promises to pay Menifee Development, LLC. An amount of \$5,595,000 was designated as the "Local Funds Portion," and was paid off during 2006-07. An amount of \$5,595,000 was designated as the "State Funds Portion," and will bear an interest rate of 8%. The District is required to make semi-annual payments based on the amount left from the tax collections of the CFD accounts at the end of the year. The District is required to pay the note off completely on February 1, 2038.

In June 2010 the note was restructured to include \$2,679,806 in unpaid interest. The outstanding balance as of June 30, 2017 was \$3,535,334.

4. Qualified Zone Academy Bond (QZAB)

In November 2005, the District entered into a site lease agreement with the Public Property Financing Corporation of California. The purpose of this agreement was to provide \$1,000,000 for financing the cost of purchasing equipment and certain improvements to property. The financing for the improvements is provided by the issuance of Qualified Zone Academy Bonds (QZABs), pursuant to Section 1397E of the Internal Revenue Code. The District is required to make annual deposits which will be invested in a special fund. The deposits, along with the interest earned, is expected to be sufficient to pay the remaining principal on the bonds.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

At June 30, 2017 the outstanding deposits due on the QZABs are \$261,850. Deposits will be required as follows:

| <u>Year Ending June 30,</u> |    |                |
|-----------------------------|----|----------------|
| 2018                        | \$ | 52,370         |
| 2019                        |    | 52,370         |
| 2020                        |    | 52,370         |
| 2021                        |    | 52,370         |
| 2022                        |    | 52,370         |
| Total                       | \$ | <u>261,850</u> |

5. Redevelopment Agency

The District has entered into an agreement with the Redevelopment Agency of the County of Riverside for the construction of the District administration building. This agreement specifies that the Agency will finance \$300,000 of the total \$700,000 cost of the project. The financing by the Agency is in the form of a grant for \$150,000 and a loan of \$150,000. The loan is to be paid solely from the District's annual pass-through funds from the Agency with payments of \$5,000 made on an annual basis beginning June 15, 1998 and made every June 1 thereafter through June 1, 2029. The loan bears no interest.

At June 30, 2017 the outstanding deposits due on the note was \$50,000. Payments will be required as follows:

| <u>Year Ending June 30,</u> |    |               |
|-----------------------------|----|---------------|
| 2018                        | \$ | 5,000         |
| 2019                        |    | 5,000         |
| 2020                        |    | 5,000         |
| 2021                        |    | 5,000         |
| 2022                        |    | 5,000         |
| 2023-2027                   |    | 25,000        |
| Total                       | \$ | <u>50,000</u> |

6. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond.

In May 2013 the District issued bonds at a premium. The unamortized balance is included in the outstanding balance of the bonds. The premium is being amortized over 30 years using the straight line method.

In July 2015 the District issued bonds at a premium. The unamortized balance is included in the outstanding balance of the bonds. The premium is being amortized over 24 years using the straight line method.

Premiums issued on the bonds resulted in an effective interest rate as follows:

|                                 | Series            | 2015              |
|---------------------------------|-------------------|-------------------|
|                                 | 2013              | Refunding         |
| Total Interest Payments on Bond | \$ 23,259,676     | \$ 32,693,600     |
| Less Bond Premium               | (750,308)         | (3,302,196)       |
| Net Interest Payments           | <u>22,509,368</u> | <u>29,391,404</u> |
| Par Amount of Bonds             | \$ 21,815,000     | \$ 43,095,000     |
| Periods                         | 30                | 24                |
| Effective Interest Rate         | 3.439%            | 2.840%            |

## ROMOLAND ELEMENTARY SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

#### 7. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to \$127,534. This amount is included as part of long-term liabilities in the government-wide financial statements.

#### 8. Net Pension Liability

The District's beginning net pension liability was \$26,222,264 and increased by \$5,900,031 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was \$32,122,295. See Note N for additional information regarding the net pension liability.

#### 9. Net OPEB Liability

The District's beginning net OPEB obligation was \$149,037 and increased during the year ended June 30, 2017 by \$22,165. The ending net OPEB liability at June 30, 2017 was \$171,202. See Note O for additional information regarding the net OPEB liability.

#### L. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Acts of God,
- g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks

#### M. Joint Ventures (Joint Powers Agreements)

The District participates in joint ventures under joint powers agreements with the Riverside Schools Insurance Authority (RSIA), the Riverside County Employer/Employee Partnership (REEP) for benefits, the Riverside Schools Risk Management Association (RSRMA), the Riverside County Office of Education Joint Educational Transit (JET), and the Riverside County Special Education Local Plan Area (SELPA). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The RSIA provides property and liability insurance coverage for its members, REEP provides health and welfare benefits coverage for its members, and RSRMA provides workers compensation insurance coverage for its members, JET operates and maintains a county-wide delivery system for participating schools, and the SELPA maintains programs for the education of individuals with special needs for the member districts.

The JPAs are governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPAs independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs. Condensed audited financial information for the JPAs as of June 30, 2016 is as follows:



# ROMOLAND ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

|                      | RSIA          | REEP          | RSRMA         | JET        | SELPA          |
|----------------------|---------------|---------------|---------------|------------|----------------|
| Total Assets         | \$ 6,325,834  | \$ 27,101,122 | \$ 14,380,774 | \$ 354,903 | \$ 40,421,869  |
| Total Liabilities    | 5,078,708     | 13,563,470    | 5,310,667     | 206,173    | 37,052,157     |
| Total Net Assets     | \$ 1,247,126  | \$ 13,537,652 | \$ 9,070,107  | \$ 148,730 | \$ 3,369,712   |
| Total Revenue        | \$ 10,339,822 | \$ 99,159,835 | \$ 32,866,886 | \$ 208,980 | \$ 210,846,457 |
| Total Expenditures   | 9,710,995     | 99,431,410    | 31,951,739    | 206,173    | 210,438,533    |
| Change in Net Assets | \$ 628,827    | \$ (271,575)  | \$ 915,147    | \$ 2,807   | \$ 407,924     |

Financial information on the District's share of the JPAs for the year ended June 30, 2017 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

### N. Pension Plans

#### 1. General Information About the Pension Plans

##### a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

##### b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

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

|   | CalSTRS                |                             |
|---|------------------------|-----------------------------|
|   | Before<br>Jan. 1, 2013 | On or After<br>Jan. 1, 2013 |
| Hire Date   |                        |                             |
| Benefit Formula   | 2% at 60               | 2% at 62                    |
| Benefit Vesting Schedule                                | 5 Years                | 5 Years                     |
| Benefit Payments  | Monthly for Life       | Monthly for Life            |
| Retirement Age  | 50-62                  | 55-67                       |
| Monthly benefits, as a % of eligible compensation       | 1.1 - 2.4%             | 1.0 - 2.4%*                 |
| Required Employee Contribution Rates (at June 30, 2017) | 10.250%                | 9.205%                      |
| Required Employer Contribution Rates (at June 30, 2017) | 12.580%                | 12.580%                     |
| Required State Contribution Rates (at June 30, 2017)    | 7.050%                 | 7.050%                      |

\*Amounts are limited to 120% of Social Security Wage Base.

\*\*The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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|   | CalPERS                       |                                    |
|---|-------------------------------|------------------------------------|
|   | Before<br><u>Jan. 1, 2013</u> | On or After<br><u>Jan. 1, 2013</u> |
| Hire Date   |                               |                                    |
| Benefit Formula   | 2% at 55                      | 2% at 62                           |
| Benefit Vesting Schedule                                | 5 Years                       | 5 Years                            |
| Benefit Payments  | Monthly for Life              | Monthly For Life                   |
| Retirement Age  | 50-62                         | 55-67                              |
| Monthly Benefits as a % of Eligible Compensation        | 1.1- 2.5%*                    | 1.0- 2.5%*                         |
| Required Employee Contribution Rates (at June 30, 2017) | 7.000%                        | 6.000%                             |
| Required Employer Contribution Rates (at June 30, 2017) | 13.888%                       | 13.888%                            |

\*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2016 (measurement date), fiscal year ended June 30, 2017, the State contributed 8.580% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

# ROMOLAND ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

On Behalf Payments reported by the District for the past three fiscal years are as follows:

| Year Ended<br>June 30, | Contribution<br>Rate | Contribution<br>Amount |
|------------------------|----------------------|------------------------|
| 2015                   | 5.679%               | \$ 591,183             |
| 2016                   | 7.126%               | 829,965                |
| 2017                   | 8.580%               | 1,193,921              |

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

|  | CalSTRS             | CalPERS           | Total               |
|--|---------------------|-------------------|---------------------|
| Contributions - Employer (Measurement Period)          | \$ 1,673,621        | \$ 488,904        | \$ 2,162,525        |
| Contributions - State On Behalf Payments (Fiscal Year) | 1,193,921           |                   | 1,193,921           |
| Total Contributions                                    | <u>\$ 2,867,542</u> | <u>\$ 488,904</u> | <u>\$ 3,356,446</u> |

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

|                             | Proportionate<br>Share of Net<br>Pension Liability |
|-----------------------------|--|
| CalSTRS                     | \$ 25,391,731                                      |
| CalPERS                     | 6,730,564  |
| Total Net Pension Liability | <u>\$ 32,122,295</u>                               |

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30, 2017 were as follows:

|                          | CalSTRS                              |                                   |                                    | CalPERS |
|--------------------------|--------------------------------------|-----------------------------------|------------------------------------|---------|
|                          | District's<br>Proportionate<br>Share | State's<br>Proportionate<br>Share | Total For<br>District<br>Employees |         |
| Proportion June 30, 2016 | 0.0317%                              | 0.0144%                           | 0.0461%                            | 0.0331% |
| Proportion June 30, 2017 | 0.0314%                              | 0.0156%                           | 0.0470%                            | 0.0341% |
| Change in Proportion     | -0.0003%                             | 0.0012%                           | 0.0009%                            | 0.0010% |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
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**YEAR ENDED JUNE 30, 2017**

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

|  | CalSTRS             | CalPERS           | Total               |
|--|---------------------|-------------------|---------------------|
| Change in Net Pension Liability (Asset)  | \$ 4,053,687        | \$ 1,846,345      | \$ 5,900,032        |
| Contributions - State On Behalf Payments   | 1,193,921           |                   | 1,193,921           |
| Increase/(Decrease) resulting from changes in<br>Deferred Outflows and Deferred Inflows of<br>Resources for: |                     |                   |                     |
| Contributions - Employer made subsequent<br>to measurement date  | (580,989)           | (196,587)         | (777,576)           |
| Difference Between Actual & Expected Experience  | (878)               | (34,001)          | (34,879)            |
| Change in Assumptions  | -                   | (80,717)          | (80,717)            |
| Change in Proportionate Shares   | 794,188             | (41,347)          | 752,841             |
| Net Difference Between Projected & Actual Earnings   | (3,016)             | (1,182,869)       | (1,185,885)         |
| Total Pension Expense  | <u>\$ 5,456,913</u> | <u>\$ 310,824</u> | <u>\$ 5,767,737</u> |

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows of Resources |                     |                     |
|--|--------------------------------|---------------------|---------------------|
|  | CalSTRS                        | CalPERS             | Total               |
| Pension contributions subsequent to measurement date | \$ 2,254,610                   | \$ 685,491          | \$ 2,940,101        |
| Differences between actual and expected experience   | -                              | 334,317             | 334,317             |
| Changes in assumptions                               | -                              | -                   | -                   |
| Change in employer's proportion share                | 1,896,636                      | 320,808             | 2,217,444           |
| Net difference between projected and actual earnings | 7,174                          | 1,691,918           | 1,699,092           |
| Total Deferred Outflows of Resources                 | <u>\$ 4,158,420</u>            | <u>\$ 3,032,534</u> | <u>\$ 7,190,954</u> |

|  | Deferred Inflows of Resources |                     |                     |
|--|-------------------------------|---------------------|---------------------|
|  | CalSTRS                       | CalPERS             | Total               |
| Pension contributions subsequent to measurement date | \$ -                          | \$ -                | \$ -                |
| Differences between actual and expected experience   | (4,609)                       | -                   | (4,609)             |
| Changes in assumptions                               | -                             | (242,149)           | (242,149)           |
| Change in employer's proportionate share             | (161,976)                     | -                   | (161,976)           |
| Net difference between projected and actual earnings | -                             | (586,265)           | (586,265)           |
| Total Deferred Inflows of Resources                  | <u>\$ (166,585)</u>           | <u>\$ (828,414)</u> | <u>\$ (994,999)</u> |

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

| Year Ended<br>June 30 | Deferred Outflows of Resources |                     | Deferred Outflows of Resources |                     | Net Effect<br>on Expenses |
|-----------------------|--------------------------------|---------------------|--------------------------------|---------------------|---------------------------|
|                       | CalSTRS                        | CalPERS             | CalSTRS                        | CalPERS             |                           |
| 2018                  | \$ 2,888,876                   | \$ 1,358,624        | \$ (42,226)                    | \$ (373,849)        | \$ 3,831,425              |
| 2019                  | 634,266                        | 673,133             | (42,225)                       | (373,848)           | 891,326                   |
| 2020                  | 634,265                        | 673,135             | (41,470)                       | (80,717)            | 1,185,213                 |
| 2021                  | 1,013                          | 327,642             | (40,664)                       | -                   | 287,991                   |
| Thereafter            | -                              | -                   | -                              | -                   | -                         |
| Total                 | <u>\$ 4,158,420</u>            | <u>\$ 3,032,534</u> | <u>\$ (166,585)</u>            | <u>\$ (828,414)</u> | <u>\$ 6,195,955</u>       |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

|                           | CalSTRS   | CalPERS             |
|---------------------------|---|---------------------|
| Valuation Date            | June 30, 2015   | June 30, 2015       |
| Measurement Date          | June 30, 2016   | June 30, 2016       |
| Actuarial Cost Method     | Entry Age - Normal Cost Method for both CalSTRS & CalPERS |                     |
| Actuarial Assumptions:    |   |                     |
| Discount Rate             | 7.60%   | 7.65%               |
| Inflation                 | 3.0%  | 2.75%               |
| Payroll Growth            | 3.75%   | 3.00%               |
| Projected Salary Increase | 0.05%-5.6% (1)  | 3.20%-10.80% (1)    |
| Investment Rate of Return | 7.60% (2)   | 7.65% (2)           |
| Mortality                 | .013%-0.435% (3)  | 0.00125-0.45905 (3) |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

# ROMOLAND ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

In determining the long-term expected rate of return, CalSTRS and 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 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

### CalSTRS

| Asset Class         | Assumed Allocation<br>06/30/2016 | Long Term Expected Return* |
|---------------------|----------------------------------|----------------------------|
| Global Equity       | 47.00%                           | 6.30%                      |
| Fixed Income        | 12.00%                           | 0.30%                      |
| Real Estate         | 13.00%                           | 5.20%                      |
| Private Equity      | 13.00%                           | 9.30%                      |
| Absolute Return     | 9.00%                            | 2.90%                      |
| Inflation Sensitive | 4.00%                            | 3.80%                      |
| Cash/Liquidity      | 2.00%                            | -1.00%                     |

\*20 year geometric average used for long term expected real rate of return

### CalPERS

| Asset Class            | Assumed Allocation<br>06/30/2016 | Real Return<br>Years 1-10(1) | Real Return<br>Years 11+(2) |
|------------------------|----------------------------------|------------------------------|-----------------------------|
| Global Equity          | 51.00%                           | 5.25%                        | 5.71%                       |
| Global Debt Securities | 20.00%                           | 0.99%                        | 2.43%                       |
| Inflation Assets       | 6.00%                            | 0.45%                        | 3.36%                       |
| Private Equity         | 10.00%                           | 6.83%                        | 6.95%                       |
| Real Estate            | 10.00%                           | 4.50%                        | 5.13%                       |
| Infrastructure         | 2.00%                            | 4.50%                        | 5.09%                       |
| Liquidity              | 1.00%                            | -0.55%                       | -1.05%                      |

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

# ROMOLAND ELEMENTARY SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|                       | <u>CalSTRS</u> | <u>CalPERS</u> |
|-----------------------|----------------|----------------|
| 1% Decrease           | 6.60%          | 6.65%          |
| Net Pension Liability | \$ 36,544,426  | \$ 10,042,040  |
| Current Discount Rate | 7.60%          | 7.65%          |
| Net Pension Liability | \$ 25,391,731  | \$ 6,730,564   |
| 1% Increase           | 8.60%          | 8.65%          |
| Net Pension Liability | \$ 16,128,949  | \$ 3,973,110   |

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

|   | <u>Increase (Decrease)</u>         |  |  |   |  |
|---|------------------------------------|--|--|---|--|
|   | <u>Total Pension Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net Pension Liability (a) - (b)</u> | <u>State's Share of Net Pension Liability (c)</u> | <u>District's Share of Net Pension Liability (a) - (b) - (c)</u> |
| Balance at June 30, 2016<br>(Previously Reported)             | \$ 119,452,421                     | \$ 88,419,734                          | \$ 31,032,687                          | \$ 9,694,643                                      | \$ 21,338,044  |
| Changes for the year:   |                                    |  |  |   |  |
| Change in Proportionate share                                 | 2,330,399                          | 1,724,982                              | 605,417                                | 807,887   | (202,470)  |
| Service Cost  | 2,760,419                          | -                                      | 2,760,419                              | 916,344   | 1,844,075  |
| Interest  | 9,084,853                          | -                                      | 9,084,853                              | 3,015,792   | 6,069,061  |
| Differences between expected and actual experience            | (568,156)                          | -                                      | (568,156)                              | (188,604)   | (379,552)  |
| Contributions:  |                                    |  |  |   |  |
| Employer  | -                                  | 1,593,630                              | (1,593,630)                            | (529,019)   | (1,064,611)  |
| Employee  | -                                  | 1,389,831                              | (1,389,831)                            | (461,366)   | (928,465)  |
| State On Behalf Payments                                      | -                                  | 911,635                                | (911,635)                              | (302,625)   | (609,010)  |
| Net Investment Income   | -                                  | 1,083,189                              | (1,083,189)                            | (359,573)   | (723,615)  |
| Other Income  | -                                  | 19,511                                 | (19,511)                               | (6,477)   | (13,034)   |
| Benefit Payments, including refunds of employee contributions | (6,179,015)                        | (6,179,015)                            | -                                      | -   | -  |
| Administrative expenses                                       | -                                  | (84,615)                               | 84,615                                 | 28,089  | 56,526   |
| Other Expenses  | -                                  | (7,158)                                | 7,158                                  | 2,376   | 4,782  |
| Net Changes   | 7,428,500                          | 451,989                                | 6,976,511                              | 2,922,824   | 4,053,687  |
| Balance at June 30, 2017                                      | \$ 126,880,921                     | \$ 88,871,723                          | \$ 38,009,198                          | \$ 12,617,467                                     | \$ 25,391,731  |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
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CalPERS

|   | Increase (Decrease)                  |  |  |
|---|--------------------------------------|--|--|
|   | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability<br>(a) - (b) |
| Balance at June 30, 2016 (Previously Reported)                | \$ 23,742,039                        | \$ 18,857,820                            | \$ 4,884,219                             |
| Changes for the year:   |                                      |  |  |
| Adjustment for Change in Proportionate Share Service Cost     | 675,746                              | 536,731                                  | 139,015                                  |
| Interest  | 1,854,535                            | -  | 1,854,535                                |
| Differences between expected and actual experience            | 136,350                              | -  | 136,350                                  |
| Changes in Assumptions  | -                                    | -  | -  |
| Contributions - Employer                                      | -                                    | 488,904                                  | (488,904)                                |
| Contributions - Employee                                      | -                                    | 290,055                                  | (290,055)                                |
| Net Plan to Plan Resource Movement                            | -                                    | 4  | (4)                                      |
| Net Investment Income   | -                                    | 101,389                                  | (101,389)                                |
| Benefit Payments, including refunds of employee contributions | (1,208,716)                          | (1,208,716)                              | -  |
| Administrative expenses                                       | -                                    | (11,776)                                 | 11,776                                   |
| Net Changes   | <u>2,042,936</u>                     | <u>196,591</u>                           | <u>1,846,345</u>                         |
| Balance at June 30, 2017                                      | <u>\$ 25,784,975</u>                 | <u>\$ 19,054,411</u>                     | <u>\$ 6,730,564</u>                      |

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

O. Postemployment Benefits Other Than Pension Benefits

The Romoland Elementary School District (District) administers a single-employer healthcare plan (Plan). The plan provides postemployment benefits for eligible participants as noted below. The District has 137 active employees that are eligible to receive health benefits upon retirement and 3 retirees that are currently receiving postemployment health benefits.

**Certificated Employees**

The District provides retiree medical benefits to eligible employees and retirees. Eligibility for retiree health coverage requires retirement with at least 15 years of service on or after attaining age 55. The District contributes a maximum of \$10,000 towards the employee only medical premium. Expenditures for post-retirement health care benefits are recognized as retirees report claims.

**Annual OPEB Cost and Net OPEB Obligation**

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



**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 22,165         |
| Interest on net OPEB obligation            | -                 |
| Adjustment to annual required contribution | -                 |
| Annual OPEB cost (expense)                 | <u>22,165</u>     |
| Contribution made                          | -                 |
| Increase in net OPEB obligation            | <u>22,165</u>     |
| Net OPEB obligation, beginning of year     | <u>149,037</u>    |
| Net OPEB obligation, end of year           | <u>\$ 171,202</u> |

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for June 30, 2015, 2016 and 2017 was as follows:

| Year Ended<br>June 30, | Annual OPEB<br>Cost | Percentage<br>Contributed | OPEB<br>Obligation |
|------------------------|---------------------|---------------------------|--------------------|
| 2015                   | \$ 22,165           | 0%                        | \$ 126,872         |
| 2016                   | \$ 22,165           | 0%                        | \$ 149,037         |
| 2017                   | \$ 22,165           | 0%                        | \$ 171,202         |

**Funding Status and Funding Progress**

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

**Actuarial Methods and Assumptions**

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

In the December 1, 2013 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates were assumed to be 4%. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2017 of 21 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**P. Adjustments to Beginning Net Position**

With the implementation of GASB Statement No 68 & 71 the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS and CalPERS. During the current year the district calculated proportionate share by taking contributions to the CalSTRS and CalPERS plans and dividing by plan total contributions. The result was a small change to proportionate share based on rounding variances in the proportionate share. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

Beginning net position was adjusted as follows:

|  |                     |
|--|---------------------|
| Net Position, Beginning (As Originally Stated)               | \$ 2,704,440        |
| Adjustments for:   |                     |
| Net Pension Liability Corrections                            | 46,649              |
| Deferred Outflows of Resources - Pension Related Corrections | (1)                 |
| Deferred Inflows of Resources - Pension Related Corrections  | <u>4,215</u>        |
| Net Position, Beginning (As Restated)                        | <u>\$ 2,755,303</u> |

**Q. Components of Ending Fund Balance**

As of June 30, 2017 ending fund balance consisted of the following:

|                                   | <u>Major Funds</u>  |                                |                                      |                               |                                    |
|-----------------------------------|---------------------|--------------------------------|--------------------------------------|-------------------------------|------------------------------------|
|                                   | <u>General Fund</u> | <u>Capital Facilities Fund</u> | <u>County School Facilities Fund</u> | <u>Blended Component Unit</u> | <u>Nonmajor Governmental Funds</u> |
| <b>Nonspendable Fund Balances</b> |                     |                                |                                      |                               |                                    |
| Revolving Cash                    | \$ 3,000            | \$ -                           | \$ -                                 | \$ -                          | \$ -                               |
| Stores Inventories                | -                   | -                              | -                                    | -                             | 49,483                             |
| <b>Restricted Fund Balances</b>   |                     |                                |                                      |                               |                                    |
| Educational Programs              | 2,039,359           | -                              | -                                    | -                             | -                                  |
| Child Nutrition Program           | -                   | -                              | -                                    | -                             | 1,065,089                          |
| Capital Projects                  | -                   | 8,643,326                      | 2,484,201                            | -                             | -                                  |
| <b>Committed Fund Balances</b>    |                     |                                |                                      |                               |                                    |
| Deferred Maintenance              | -                   | -                              | -                                    | -                             | 193,150                            |
| <b>Assigned Fund Balances</b>     |                     |                                |                                      |                               |                                    |
| Capital Projects                  | -                   | -                              | -                                    | 22,027,761                    | 2,483,835                          |
| Educational Programs              | 4,331,396           | -                              | -                                    | -                             | -                                  |
| <b>Unassigned Fund Balances</b>   |                     |                                |                                      |                               |                                    |
| For Economic Uncertainty          | 1,369,668           | -                              | -                                    | -                             | -                                  |
| <b>Total Fund Balance</b>         | <u>\$ 7,743,423</u> | <u>\$ 8,643,326</u>            | <u>\$ 2,484,201</u>                  | <u>\$ 22,027,761</u>          | <u>\$ 3,791,557</u>                |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

R. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

S. Construction Commitments

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

|                                       | <u>Commitment</u> | <u>Expected<br/>Date of<br/>Completion*</u> |
|---------------------------------------|-------------------|---|
| Construction in Process:              |                   |   |
| Harvest Valley/Romoland Modernization | \$ 8,805,714      | August 2018                                 |

\*Expected date of completion subject to change.

T. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

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

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

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

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

As of the date this audit report is issued, the District does not have any split-interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
2. Reporting amounts previously reported as goodwill and “negative” goodwill.
3. Classifying real estate held by insurance entities.
4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
8. Classifying employer-paid member contributions for OPEB.
9. Simplifying certain aspects of the alternative measurement method for OPEB.
10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

GASB Statement No. 86 - Certain Debt Extinguishment Issues

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in-substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

**EXHIBIT B-1**

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

|  | Budgeted Amounts    |                     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| Revenues:  |                     |                     |                     |   |
| LCFF Sources:  |                     |                     |                     |   |
| State Apportionment or State Aid                             | \$ 24,779,489       | \$ 24,334,236       | \$ 24,319,380       | \$ (14,856)   |
| Education Protection Account Funds                           | 4,635,194           | 4,664,628           | 4,664,628           | -   |
| Local Sources  | 3,240,912           | 4,189,979           | 4,204,837           | 14,858  |
| Federal Revenue  | 1,804,560           | 1,817,038           | 1,817,038           | -   |
| Other State Revenue  | 3,222,069           | 3,763,417           | 3,763,417           | -   |
| Other Local Revenue  | 270,000             | 325,060             | 325,060             | -   |
| Total Revenues   | <u>37,952,224</u>   | <u>39,094,358</u>   | <u>39,094,360</u>   | <u>2</u>  |
| Expenditures:  |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| Certificated Salaries  | 18,549,976          | 18,793,349          | 18,793,349          | -   |
| Classified Salaries  | 4,195,011           | 4,424,410           | 4,424,410           | -   |
| Employee Benefits  | 7,707,478           | 8,081,849           | 8,081,836           | 13  |
| Books And Supplies   | 2,468,332           | 2,349,689           | 2,349,689           | -   |
| Services And Other Operating Expenditures                    | 3,911,168           | 4,410,014           | 4,409,968           | 46  |
| Other Outgo  | 414,000             | 421,790             | 421,790             | -   |
| Direct Support/Indirect Costs                                | (94,748)            | (92,460)            | (92,460)            | -   |
| Capital Outlay   | 425,000             | 688,763             | 688,763             | -   |
| Debt Service:  |                     |                     |                     |   |
| Principal  | 57,370              | 57,370              | 57,370              | -   |
| Total Expenditures   | <u>37,633,587</u>   | <u>39,134,774</u>   | <u>39,134,715</u>   | <u>59</u>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>318,637</u>      | <u>(40,416)</u>     | <u>(40,355)</u>     | <u>61</u>   |
| Other Financing Sources (Uses):                              |                     |                     |                     |   |
| Transfers Out  | (837,845)           | -                   | -                   | -   |
| Total Other Financing Sources (Uses)                         | <u>(837,845)</u>    | <u>-</u>            | <u>-</u>            | <u>-</u>  |
| Net Change in Fund Balance                                   | (519,208)           | (40,416)            | (40,355)            | 61  |
| Fund Balance, July 1   | 7,783,827           | 7,783,827           | 7,783,827           | -   |
| Fund Balance, June 30  | <u>\$ 7,264,619</u> | <u>\$ 7,743,411</u> | <u>\$ 7,743,472</u> | <u>\$ 61</u>  |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POST EMPLOYMENT BENEFITS PLAN  
 YEAR ENDED JUNE 30, 2017

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)<br>- Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Estimated<br>Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered Payroll<br>((b-a)/c) |
|--------------------------------|--|--|------------------------------------|--------------------------|--|--|
| January 2009                   | \$ -                                   | \$ 268,501   | \$ 268,501                         | -                        | \$ 13,519,456                          | 2.0%   |
| December 2010                  | -                                      | 271,642  | 271,642                            | -                        | 12,907,877                             | 2.1%   |
| December 2013                  | -                                      | 271,748  | 271,748                            | -                        | 13,169,392                             | 2.1%   |



**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)  
 LAST TEN FISCAL YEARS \*

|   | 2017          | 2016          | 2015       | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---------------|---------------|------------|------|------|------|------|------|------|------|
| District's proportion of the net pension liability (asset)                                    |               | 0.0314%       | 0.0317%    | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's proportionate share of the net pension liability (asset)                           | \$ 25,381,731 | \$ 21,384,693 | 15,458,223 |      |      |      |      |      |      |      |
| State's proportionate share of the net pension liability (asset) associated with the District | \$ 12,617,468 | \$ 9,652,301  | 10,932,040 |      |      |      |      |      |      |      |
| Total share of net pension liability (asset) associated with the District                     | \$ 37,999,199 | \$ 31,036,994 | 26,390,263 |      |      |      |      |      |      |      |
| District's covered-employee payroll   | \$ 17,922,171 | \$ 15,597,586 | 14,646,655 |      |      |      |      |      |      |      |

\* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

See Accompanying Notes to Required Supplementary Information.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)  
 LAST TEN FISCAL YEARS \*

|  | Fiscal Year   |               |             |      |      |      |      |      |      |      |
|--|---------------|---------------|-------------|------|------|------|------|------|------|------|
|  | 2017          | 2016          | 2015        | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Contractually required contribution                                  | \$ 2,254,611  | \$ 1,673,621  | 1,300,623   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions in relation to the contractually required contribution | (2,254,611)   | (1,673,621)   | (1,300,623) | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contribution deficiency (excess)                                     | \$ -          | \$ -          | -           | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's covered-employee payroll                                  | \$ 17,922,171 | \$ 15,597,586 | 14,646,655  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions as a percentage of covered-employee payroll            | 12.58%        | 10.73%        | 8.88%       | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |

\* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

See Accompanying Notes to Required Supplementary Information.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS)  
 LAST TEN FISCAL YEARS \*

|   | 2017         | 2016         | 2015         | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|--------------|--------------|--------------|------|------|------|------|------|------|------|
| District's proportion of the net pension liability (asset)  | 0.0341%      | 0.0331%      | 0.0301%      | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's proportionate share of the net pension liability (asset)   | \$ 6,730,564 | \$ 4,884,220 | \$ 3,412,371 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's covered-employee payroll   | \$ 4,935,851 | \$ 4,126,817 | \$ 3,684,895 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 136.36%      | 118.35%      | 92.60%       | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Plan fiduciary net position as a percentage of the total pension liability  | 73.90%       | 79.43%       | 83.38%       | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |

\* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

See Accompanying Notes to Required Supplementary Information.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS)  
 LAST TEN FISCAL YEARS \*

|  | Fiscal Year  |              |           |      |      |      |      |      |      |      |
|--|--------------|--------------|-----------|------|------|------|------|------|------|------|
|  | 2017         | 2016         | 2015      | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Contractually required contribution                                  | \$ 433,749   | \$ 488,904   | 433,749   | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contributions in relation to the contractually required contribution | (433,749)    | (488,904)    | (433,749) | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | -         | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |
| District's covered-employee payroll                                  | \$ 4,935,851 | \$ 4,126,817 | 3,684,895 | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |

\* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

See Accompanying Notes to Required Supplementary Information.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2017

Schedule of District's Proportionate Share - California State Teachers Retirement System

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

Schedule of District's Contributions - California State Teachers Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| Valuation Date                    | June 30, 2014       | June 30, 2015       | June 30, 2016       |
|-----------------------------------|---------------------|---------------------|---------------------|
| Experience Study                  | 07/01/06 - 06/30/10 | 07/01/07 - 06/30/11 | 07/01/08 - 06/30/12 |
| Actuarial Cost Method             | Entry Age Normal    | Entry Age Normal    | Entry Age Normal    |
| Investment Rate of Return         | 7.60%               | 7.60%               | 7.60%               |
| Consumer Price Inflation          | 3.00%               | 3.00%               | 3.00%               |
| Wage Growth (Average)             | 3.75%               | 3.75%               | 3.75%               |
| Post-retirement Benefit Increase: | 2.00% Simple        | 2.00% Simple        | 2.00% Simple        |

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

Schedule of District's Proportionate Share - California Public Employees Retirement System

- 1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits
- 2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016. The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| Valuation Date                    | June 30, 2014       | June 30, 2015       | June 30, 2016       |
|-----------------------------------|---------------------|---------------------|---------------------|
| Experience Study                  | 07/01/96 - 06/30/10 | 07/01/97 - 06/30/11 | 07/01/98 - 06/30/12 |
| Actuarial Cost Method             | Entry Age Normal    | Entry Age Normal    | Entry Age Normal    |
| Investment Rate of Return         | 7.50%               | 7.50%               | 7.50%               |
| Consumer Price Inflation          | 2.75%               | 2.75%               | 2.75%               |
| Wage Growth (Average)             | 3.00%               | 3.00%               | 3.00%               |
| Post-retirement Benefit Increase: | 2.00% Simple        | 2.00% Simple        | 2.00% Simple        |

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

|                                      | Special<br>Revenue<br>Funds | Capital<br>Projects<br>Fund<br>Capital<br>Outlay<br>Projects | Total<br>Nonmajor<br>Governmental<br>Funds (See<br>Exhibit A-3) |
|--------------------------------------|-----------------------------|--|---|
| <b>ASSETS:</b>                       |                             |  |   |
| Cash in County Treasury              | \$ 1,029,185                | \$ 2,464,352   | \$ 3,493,537  |
| Cash on Hand and in Banks            | -                           | 13,292   | 13,292  |
| Accounts Receivable                  | 511,493                     | 6,191  | 517,684   |
| Stores Inventories                   | 49,483                      | -  | 49,483  |
| Total Assets                         | <u>1,590,161</u>            | <u>2,483,835</u>   | <u>4,073,996</u>  |
| <b>LIABILITIES AND FUND BALANCE:</b> |                             |  |   |
| Liabilities:                         |                             |  |   |
| Accounts Payable                     | \$ 73,790                   | \$ -   | \$ 73,790   |
| Due to Other Funds                   | 192,637                     | -  | 192,637   |
| Unearned Revenue                     | 16,012                      | -  | 16,012  |
| Total Liabilities                    | <u>282,439</u>              | <u>-</u>   | <u>282,439</u>  |
| Fund Balance:                        |                             |  |   |
| Nonspendable Fund Balances:          |                             |  |   |
| Stores Inventories                   | 49,483                      | -  | 49,483  |
| Restricted Fund Balances             | 1,065,089                   | -  | 1,065,089   |
| Committed Fund Balances              | 193,150                     | -  | 193,150   |
| Assigned Fund Balances               | -                           | 2,483,835  | 2,483,835   |
| Total Fund Balance                   | <u>1,307,722</u>            | <u>2,483,835</u>   | <u>3,791,557</u>  |
| Total Liabilities and Fund Balances  | <u>\$ 1,590,161</u>         | <u>\$ 2,483,835</u>  | <u>\$ 4,073,996</u>   |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

|  | Special<br>Revenue<br>Funds | Capital<br>Projects<br>Fund<br><u>Capital<br/>Outlay<br/>Projects</u> | Total<br>Nonmajor<br>Governmental<br>Funds (See<br>Exhibit A-5)<br><u></u> |
|--|-----------------------------|---|--|
| Revenues:  |                             |   |  |
| Federal Revenue  | \$ 2,531,522                | \$ -  | \$ 2,531,522   |
| Other State Revenue  | 681,482                     | -   | 681,482  |
| Other Local Revenue  | 158,688                     | 41,582  | 200,270  |
| Total Revenues   | <u>3,371,692</u>            | <u>41,582</u>   | <u>3,413,274</u>   |
| Expenditures:  |                             |   |  |
| Current:   |                             |   |  |
| Instruction  | 359,747                     | -   | 359,747  |
| Instruction - Related Services                               | 113,216                     | -   | 113,216  |
| Pupil Services   | 2,626,499                   | -   | 2,626,499  |
| General Administration                                       | 92,460                      | -   | 92,460   |
| Plant Services   | 238,954                     | -   | 238,954  |
| Capital Outlay   | 117,415                     | -   | 117,415  |
| Total Expenditures   | <u>3,548,291</u>            | <u>-</u>  | <u>3,548,291</u>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(176,599)</u>            | <u>41,582</u>   | <u>(135,017)</u>   |
| Net Change in Fund Balance                                   | (176,599)                   | 41,582  | (135,017)  |
| Fund Balance, July 1   | 1,484,321                   | 2,442,253   | 3,926,574  |
| Fund Balance, June 30  | <u>\$ 1,307,722</u>         | <u>\$ 2,483,835</u>   | <u>\$ 3,791,557</u>  |



**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2017

|                                      | Child<br>Development<br>Fund | Cafeteria<br>Fund   | Deferred<br>Maintenance<br>Fund | Total<br>Nonmajor<br>Special<br>Revenue<br>Funds (See<br>Exhibit C-1) |
|--------------------------------------|------------------------------|---------------------|---------------------------------|---|
| <b>ASSETS:</b>                       |                              |                     |                                 |   |
| Cash in County Treasury              | \$ 17,670                    | \$ 818,849          | \$ 192,666                      | \$ 1,029,185  |
| Accounts Receivable                  | 86,475                       | 424,534             | 484                             | 511,493   |
| Stores Inventories                   | -                            | 49,483              | -                               | 49,483  |
| Total Assets                         | <u>104,145</u>               | <u>1,292,866</u>    | <u>193,150</u>                  | <u>1,590,161</u>  |
| <b>LIABILITIES AND FUND BALANCE:</b> |                              |                     |                                 |   |
| Liabilities:                         |                              |                     |                                 |   |
| Accounts Payable                     | \$ 38                        | \$ 73,752           | \$ -                            | \$ 73,790   |
| Due to Other Funds                   | 100,177                      | 92,460              | -                               | 192,637   |
| Unearned Revenue                     | 3,930                        | 12,082              | -                               | 16,012  |
| Total Liabilities                    | <u>104,145</u>               | <u>178,294</u>      | <u>-</u>                        | <u>282,439</u>  |
| Fund Balance:                        |                              |                     |                                 |   |
| Nonspendable Fund Balances:          |                              |                     |                                 |   |
| Stores Inventories                   | -                            | 49,483              | -                               | 49,483  |
| Restricted Fund Balances             | -                            | 1,065,089           | -                               | 1,065,089   |
| Committed Fund Balances              | -                            | -                   | 193,150                         | 193,150   |
| Total Fund Balance                   | <u>-</u>                     | <u>1,114,572</u>    | <u>193,150</u>                  | <u>1,307,722</u>  |
| Total Liabilities and Fund Balances  | <u>\$ 104,145</u>            | <u>\$ 1,292,866</u> | <u>\$ 193,150</u>               | <u>\$ 1,590,161</u>   |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

|  | Child<br>Development<br>Fund | Cafeteria<br>Fund   | Deferred<br>Maintenance<br>Fund | Total<br>Nonmajor<br>Special<br>Revenue<br>Funds (See<br>Exhibit C-2) |
|--|------------------------------|---------------------|---------------------------------|---|
| Revenues:  |                              |                     |                                 |   |
| Federal Revenue  | \$ -                         | \$ 2,531,522        | \$ -                            | \$ 2,531,522  |
| Other State Revenue  | 507,238                      | 174,244             | -                               | 681,482   |
| Other Local Revenue  | -                            | 157,177             | 1,511                           | 158,688   |
| Total Revenues   | <u>507,238</u>               | <u>2,862,943</u>    | <u>1,511</u>                    | <u>3,371,692</u>  |
| Expenditures:  |                              |                     |                                 |   |
| Current:   |                              |                     |                                 |   |
| Instruction  | 359,747                      | -                   | -                               | 359,747   |
| Instruction - Related Services                               | 113,216                      | -                   | -                               | 113,216   |
| Pupil Services   | 110                          | 2,626,389           | -                               | 2,626,499   |
| General Administration                                       | -                            | 92,460              | -                               | 92,460  |
| Plant Services   | 1,736                        | 65,275              | 171,943                         | 238,954   |
| Capital Outlay   | 32,429                       | 84,986              | -                               | 117,415   |
| Total Expenditures   | <u>507,238</u>               | <u>2,869,110</u>    | <u>171,943</u>                  | <u>3,548,291</u>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>-</u>                     | <u>(6,167)</u>      | <u>(170,432)</u>                | <u>(176,599)</u>  |
| Net Change in Fund Balance                                   | -                            | (6,167)             | (170,432)                       | (176,599)   |
| Fund Balance, July 1   | -                            | 1,120,739           | 363,582                         | 1,484,321   |
| Fund Balance, June 30  | <u>\$ -</u>                  | <u>\$ 1,114,572</u> | <u>\$ 193,150</u>               | <u>\$ 1,307,722</u>   |

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

## Supplementary Information Section

# ROMOLAND ELEMENTARY SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2017

The Romoland Elementary School District was officially founded in 1927. The District boundaries encompass 32 square miles in Riverside County, including Romoland and Homeland, and portions of the cities of Sun City, Nuevo, and Hemet. On March 10, 2009 the District expanded its boundaries to include a portion of the Monument Ranch Development, which was previously included within the Perris Elementary School boundaries. The District is currently operating four elementary schools serving kindergarten through fifth grade and one middle school serving sixth through eighth grade. Students graduating from the District attend high school in the Perris Union High School District.

## Governing Board

| <u>Name</u>          | <u>Office</u> | <u>Term and Term Expiration</u>          |
|----------------------|---------------|--|
| David Sperry         | President     | Four Year Term<br>Expiring November 2020 |
| Debbie Moon          | Clerk         | Two Year Term<br>Expiring November 2018  |
| Manuel Aguirre       | Member        | Four Year Term<br>Expiring November 2020 |
| Marla Clites         | Member        | Four Year Term<br>Expiring November 2018 |
| Gerald "Gary" Reller | Member        | Four Year Term<br>Expiring November 2018 |

## Administration

Julie Vitale Ph.D  
Superintendent

Carol Cole  
Chief Business Official

Trevor Painton  
Assistant Superintendent  
Educational Services

Vince Butler  
Chief Technology Officer

John Murray  
Director  
Human Resources

**ROMOLAND SCHOOL DISTRICT**  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 YEAR ENDED JUNE 30, 2017

**TABLE D-1**

|                                 | Second Period Report   |                   | Annual Report          |                   |
|---------------------------------|------------------------|-------------------|------------------------|-------------------|
|                                 | Original               | Revised           | Original               | Revised           |
| TK/K-3:                         |                        |                   |                        |                   |
| Regular ADA                     | 1,654.50               | N/A               | 1,655.67               | N/A               |
| Special Education-Extended Year | 0.93                   | N/A               | 0.93                   | N/A               |
| Special Education-Nonpublic     | 0.81                   | N/A               | -                      | N/A               |
| TK/K-3 Totals                   | <u>1,656.24</u>        | <u>N/A</u>        | <u>1,656.60</u>        | <u>N/A</u>        |
| Grades 4-6:                     |                        |                   |                        |                   |
| Regular ADA                     | 1,227.31               | N/A               | 1,228.09               | N/A               |
| Special Education-Extended Year | 1.71                   | N/A               | 1.71                   | N/A               |
| Special Education-Nonpublic     | 0.41                   | N/A               | 0.81                   | N/A               |
| Grades 4-6 Totals               | <u>1,229.43</u>        | <u>N/A</u>        | <u>1,230.61</u>        | <u>N/A</u>        |
| Grades 7 and 8:                 |                        |                   |                        |                   |
| Regular ADA                     | 781.94                 | N/A               | 783.10                 | N/A               |
| Special Education-Extended Year | 0.21                   | N/A               | 0.21                   | N/A               |
| Grades 7 and 8 Totals           | <u>782.15</u>          | <u>N/A</u>        | <u>783.31</u>          | <u>N/A</u>        |
| ADA Totals                      | <u><u>3,667.82</u></u> | <u><u>N/A</u></u> | <u><u>3,670.52</u></u> | <u><u>N/A</u></u> |

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT****TABLE D-2**SCHEDULE OF INSTRUCTIONAL TIME  
YEAR ENDED JUNE 30, 2017

| <u>Grade Level</u>        | <u>Ed. Code<br/>46207<br/>Minutes<br/>Requirement</u> | <u>2016-17<br/>Actual<br/>Minutes</u> | <u>Number<br/>of Days<br/>Traditional<br/>Calendar</u> | <u>Number<br/>of Days<br/>Multitrack<br/>Calendar</u> | <u>Status</u> |
|---------------------------|---|---------------------------------------|--|---|---------------|
| Transitional Kindergarten | 36,000  | 53,705                                | 180  | -   | Complied      |
| Kindergarten              | 36,000  | 53,705                                | 180  | -   | Complied      |
| Grade 1                   | 50,400  | 52,885                                | 180  | -   | Complied      |
| Grade 2                   | 50,400  | 52,885                                | 180  | -   | Complied      |
| Grade 3                   | 50,400  | 52,885                                | 180  | -   | Complied      |
| Grade 4                   | 54,000  | 54,605                                | 180  | -   | Complied      |
| Grade 5                   | 54,000  | 54,605                                | 180  | -   | Complied      |
| Grade 6                   | 54,000  | 58,695                                | 180  | -   | Complied      |
| Grade 7                   | 54,000  | 58,695                                | 180  | -   | Complied      |
| Grade 8                   | 54,000  | 58,695                                | 180  | -   | Complied      |

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46207. The district has neither met nor exceeded its target funding.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

**TABLE D-3**

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

| General Fund   | Budget<br>2018<br>(Note 1) | 2017           | 2016           | 2015           |
|--|----------------------------|----------------|----------------|----------------|
| Revenues and other financial sources                 | \$ 38,559,074              | \$ 39,094,360  | \$ 35,769,899  | \$ 28,322,394  |
| Expenditures   | 39,803,491                 | 39,134,764     | 35,264,182     | 28,232,075     |
| Change in fund balance (deficit)                     | (1,244,417)                | (40,404)       | 505,717        | 90,319         |
| Ending fund balance                                  | \$ 6,499,006               | \$ 7,743,423   | \$ 7,783,827   | \$ 7,278,110   |
| Available reserves (Note 2)                          | \$ 4,233,019               | \$ 5,701,111   | \$ 5,834,913   | \$ 5,772,798   |
| Available reserves as a percentage<br>of total outgo | 10.6%                      | 14.6%          | 16.5%          | 20.4%          |
| Total long-term debt                                 | \$ 142,121,548             | \$ 143,895,408 | \$ 139,805,667 | \$ 130,276,381 |
| Average daily attendance at P-2                      | 3,777                      | 3,668          | 3,535          | 3,364          |

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.

The General Fund balance has increased by \$555,680 over the past three years. The fiscal year 2017-18 adopted budget projects a decrease of \$1,244,417. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

Long term debt has increased by \$13,619,027 over the past two years.

Average daily attendance (ADA) has increased by 304 over the past two years.

Notes:

1. Budget 2018 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
3. On behalf payments of \$1,193,919, \$876,774, and \$629,475 have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2017, 2016 and 2015.



**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

|  | Cafeteria<br>Fund                |
|--|----------------------------------|
| June 30, 2017, annual financial and budget<br>report fund balances     | \$ <u>1,041,895</u>              |
| Adjustments and reclassifications:                                     |                                  |
| Increasing (decreasing) the fund balance:                              |                                  |
| Accounts receivable understatement                                     | <u>72,677</u>                    |
| Net adjustments and reclassifications                                  | <u>72,677</u>                    |
| June 30, 2017, audited financial statement fund balances               | \$ <u><u>1,114,572</u></u>       |
|  | Schedule of<br>Long-Term<br>Debt |
| June 30, 2017, annual financial and budget<br>report total liabilities | \$ <u>140,307,972</u>            |
| Adjustments and reclassifications:                                     |                                  |
| Increase (decrease) in total liabilities:                              |                                  |
| Net OPEB obligation understatement                                     | 22,165                           |
| Net pension liability understatement                                   | 5,853,382                        |
| Compensated absences understatement                                    | 20,619                           |
| Other general long-term debt overstatement                             | <u>(2,308,730)</u>               |
| Net adjustments and reclassifications                                  | <u>3,587,436</u>                 |
| June 30, 2017, audited financial statement total liabilities           | \$ <u><u>143,895,408</u></u>     |

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

SCHEDULE OF CHARTER SCHOOLS  
YEAR ENDED JUNE 30, 2017

**TABLE D-5**

No charter schools are chartered by Romoland Elementary School District.

| <u>Charter Schools</u> | <u>Included In<br/>Audit?</u> |
|------------------------|-------------------------------|
| None                   | N/A                           |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

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

**TABLE D-6**

Page 1 of 2

| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Entity<br>Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Federal<br>Expenditures |
|---|---------------------------|---|---------------------------------------|-------------------------|
| <b>CHILD NUTRITION CLUSTER:</b>                                       |                           |   |                                       |                         |
| <u>U. S. Department of Agriculture</u>                                |                           |   |                                       |                         |
| Passed Through State Department of Education:                         |                           |   |                                       |                         |
| School Breakfast Program  | 10.553                    | 13526   | \$ -                                  | \$ 710,120              |
| National School Lunch Section 4                                       | 10.555                    | 13391   | -                                     | 181,432                 |
| National School Lunch Section 11                                      | 10.555                    | 13396   | -                                     | 1,175,112               |
| Commodity Supplement Food Program *                                   | 10.555                    | 13396   | -                                     | 134,478                 |
| National School Lunch Meal Supplement                                 | 10.556                    | 23165   | -                                     | 17,214                  |
| Total Passed Through State Department of Education                    |                           |   | -                                     | 2,218,356               |
| Total U. S. Department of Agriculture                                 |                           |   | -                                     | 2,218,356               |
| Total Child Nutrition Cluster   |                           |   | -                                     | 2,218,356               |
| <b>MEDICAID CLUSTER:</b>  |                           |   |                                       |                         |
| <u>U. S. Department of Health and Human Services</u>                  |                           |   |                                       |                         |
| Passed Through State Department of Education:                         |                           |   |                                       |                         |
| Medi-Cal Billing Options  | 93.778                    | 10013   | -                                     | 34,423                  |
| Total U. S. Department of Health and Human Services                   |                           |   | -                                     | 34,423                  |
| Total Medicaid Cluster  |                           |   | -                                     | 34,423                  |
| <b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>                              |                           |   |                                       |                         |
| <u>U. S. Department of Education</u>                                  |                           |   |                                       |                         |
| Passed Through State Department of Education:                         |                           |   |                                       |                         |
| Special Education-IDEA  | 84.027                    | 13379   | -                                     | 571,057                 |
| Special Education-Preschool Local                                     | 84.027                    | 13682   | -                                     | 4,162                   |
| Special Education-IDEA Mental Health                                  | 84.027                    | 14468   | -                                     | 32,100                  |
| Special Education-Preschool Grant                                     | 84.173                    | 13430   | -                                     | 1,102                   |
| Special Education-Preschool Staff Development                         | 84.173                    | 13431   | -                                     | 11                      |
| Total Passed Through State Department of Education                    |                           |   | -                                     | 608,432                 |
| Total U. S. Department of Education                                   |                           |   | -                                     | 608,432                 |
| Total Special Education (IDEA) Cluster                                |                           |   | -                                     | 608,432                 |
| <b>OTHER PROGRAMS:</b>  |                           |   |                                       |                         |
| <u>U. S. Department of Health and Human Services</u>                  |                           |   |                                       |                         |
| Passed Through Riverside County Office of Education:                  |                           |   |                                       |                         |
| Head Start  | 93.600                    | 10016   | -                                     | 480,155                 |
| Total U. S. Department of Health and Human Services                   |                           |   | -                                     | 480,155                 |
| <u>U. S. Department of Education</u>                                  |                           |   |                                       |                         |
| Passed Through State Department of Education:                         |                           |   |                                       |                         |
| Title I-Part A, Basic Grants  | 84.010                    | 14329   | -                                     | 543,222                 |
| Title III-Limited English Proficiency                                 | 84.365                    | 14346   | -                                     | 70,174                  |
| Title III-Immigrant Education Program                                 | 84.365                    | 15146   | -                                     | 3,932                   |
| Title II-Teacher Quality  | 84.367                    | 14341   | -                                     | 65,096                  |
| Total Passed Through State Department of Education                    |                           |   | -                                     | 682,424                 |
| Total U. S. Department of Education                                   |                           |   | -                                     | 682,424                 |

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**

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

**TABLE D-6**

Page 2 of 2

| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Entity<br>Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Federal<br>Expenditures |
|---|---------------------------|---|---------------------------------------|-------------------------|
| <u>U. S. Department of Agriculture</u>                                |                           |   |                                       |                         |
| Passed Through State Department of Education:                         |                           |   |                                       |                         |
| Child and Adult Care Food Program                                     | 10.558                    | 13666   | -                                     | 178,689                 |
| Total U. S. Department of Agriculture                                 |                           |   | -                                     | 178,689                 |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                           |                           |   | <u>\$ -</u>                           | <u>\$ 4,202,479</u>     |

The accompanying notes are an integral part of this schedule.

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Romoland Elementary School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These 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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 8.41% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

| <u>Program</u>                        | <u>CFDA #</u>  | <u>Indirect<br/>Cost<br/>Rate</u> |
|---------------------------------------|----------------|-----------------------------------|
| Child Nutrition Cluster               | 10.553, 10.555 | 4.92%                             |
| Title III Limited English Proficiency | 84.365         | 2.00%                             |
| Headstart                             | 93.600         | 1.33%                             |

Schoolwide Program

The District operates "schoolwide programs" at five school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in its schoolwide program:

| <u>Program</u> | <u>CFDA #</u> | <u>Amount<br/>Expended</u> |
|----------------|---------------|----------------------------|
| Title I Part A | 84.010        | \$543,222                  |

## Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

Board of Trustees  
Romoland Elementary School District  
Homeland, California 92548

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Romoland Elementary School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Romoland Elementary School District's basic financial statements, and have issued our report thereon dated November 27, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Romoland Elementary School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Romoland Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Romoland Elementary 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Romoland Elementary School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
November 27, 2017



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Romoland Elementary School District  
Homeland, California 92548

Members of the Board of Trustees:

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

We have audited the Romoland Elementary School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Romoland Elementary School District's major federal programs for the year ended June 30, 2017. Romoland Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Romoland Elementary School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Romoland Elementary School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the Romoland Elementary School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Romoland Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Romoland Elementary School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
November 27, 2017

**Independent Auditor's Report on State Compliance**

Board of Trustees  
Romoland Elementary School District  
Homeland, California 92548

Members of the Board of Trustees:

**Report on State Compliance**

We have audited the District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2017.

**Management's Responsibility for State Compliance**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

|                         |  |
|-------------------------|--|
| Compliance Requirements | Procedures in<br>Audit Guide<br>Performed? |
|-------------------------|--|

**LOCAL EDUCATION AGENCIES  
OTHER THAN CHARTER SCHOOLS:**

|  |     |
|--|-----|
| Attendance Accounting:                         |     |
| Attendance Reporting .....                     | Yes |
| Teacher Certification and Misassignments ..... | Yes |
| Kindergarten Continuance .....                 | Yes |
| Independent Study .....                        | N/A |
| Continuation Education .....                   | N/A |
| Instructional Time .....                       | Yes |

|   |     |
|---|-----|
| Instructional Materials.....                        | Yes |
| Ratio of Administrative Employees to Teachers ..... | Yes |
| Classroom Teacher Salaries .....                    | Yes |
| Early Retirement Incentive .....                    | N/A |
| GANN Limit Calculation .....                        | Yes |
| School Accountability Report Card .....             | Yes |
| Juvenile Court Schools .....                        | N/A |
| Middle or Early College High Schools .....          | N/A |
| K-3 Grade Span Adjustment .....                     | Yes |
| Transportation Maintenance of Effort .....          | Yes |
| Mental Health Expenditures .....                    | Yes |

**SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:**

|  |     |
|--|-----|
| Educator Effectiveness .....                                   | Yes |
| California Clean Energy Jobs Act .....                         | Yes |
| After School Education and Safety Program:                     |     |
| After School .....   | Yes |
| Before School .....  | N/A |
| General Requirements .....                                     | Yes |
| 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 .....                           | N/A |
| Immunizations .....  | Yes |

**CHARTER SCHOOLS:**

|   |     |
|---|-----|
| Attendance .....  | N/A |
| Mode of Instruction .....   | N/A |
| Nonclassroom-Based Instruction/Independent Study .....            | N/A |
| Determination of Funding for Nonclassroom-Based Instruction ..... | N/A |
| Annual Instructional Minutes - Classroom Based .....              | N/A |
| Charter School Facility Grant Program .....                       | N/A |

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

**Opinion on State Compliance**

In our opinion, Romoland Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2017.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
November 27, 2017

## Findings and Recommendations Section

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200?  Yes  No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 93.600                | Headstart                                 |
| 84.027, 84.173        | Special Education Cluster                 |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?  Yes  No

Type of auditor's report issued on compliance for state programs: Unmodified

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**D. State Award Findings and Questioned Costs**

NONE

**ROMOLAND ELEMENTARY SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Finding/Recommendation</u>   | <u>Current Status</u> | <u>Management's Explanation<br/>If Not Implemented</u> |
|---|-----------------------|--|
| <p>Finding 2016-001<br/>Kindergarten Continuance</p> <p>One pupil at Mesa View Elementary School that continued in kindergarten for the second year did not have the proper state approved kindergarten continuance form on file and as a result, the attendance reported for the P2 reporting period was overstated .80 ADA.</p> <p>Revise the P2 report to reflect the loss of attendance for the pupil that did not have the proper approved kindergarten continuance form on file. Implement procedures to ensure all elementary school sites utilize the proper kindergarten continuance form for any pupil that continued kindergarten in future periods.</p> | <p>Implemented</p>    |  |
| <p>Finding 2016-002<br/>Classroom Teacher Salaries</p> <p>In review of the current expense formula for minimum classroom compensation, the District did not meet the minimum classroom compensation percentage of 60% as an elementary school district. As a result, the District incurred a deficiency in the payment of salaries to classroom teachers in conjunction with the current expense of education.</p> <p>The District needs to file a waiver and explain the reason why the requirements for classroom teacher salaries were not met.</p>  | <p>Implemented</p>    |  |