

ROMOLAND SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

ROMOLAND SCHOOL DISTRICT

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FINANCIAL SECTION



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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Romoland School District
Homeland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Romoland School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Romoland School District, as of June 30, 2018, 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.

Emphasis of Matter – Correction of Error

As discussed in Note 17 to the financial statements, there were certain items that occurred in the prior year net position and fund balances that have been restated as of June 30, 2017, to more accurately reflect the substance of the underlying transactions. Our opinion is not modified with respect to this matter.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 18 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Additionally, the District does not have a dedicated revenue source for its Deferred Maintenance Fund. As a result, the Deferred Maintenance Fund does not meet the definition of a special revenue fund under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definition* and is reported accordingly. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison schedules on pages 69 through 70, schedule of changes in the District's total OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 72, schedule of the District's proportionate share of the net pension liability on page 73, and the schedule of District contributions on page 74, 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 School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards,⁸ as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the Romoland School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Romoland School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Romoland School District's internal control over financial reporting and compliance.

Vavnick, Train, Day & Co., LLP

Rancho Cucamonga, California
November 21, 2018



ROMOLAND SCHOOL DISTRICT

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Michelle Wise
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Carol L. Cole
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Vince Butler
Chief Technology Officer

INTRODUCTION

The Romoland School District (the District) is dedicated to making a difference in the Romoland Learning Community by developing successful individuals and educational excellence through a passionate commitment to collaboration and continuous improvement.

The Management's Discussion and Analysis of the Romoland School District's financial statements provides an overall review of the District's activities for the fiscal year ended June 30, 2018. This analysis is provided to assist our citizens, taxpayers, and investors in reviewing the District's finances and to show the District's accountability for the money it receives. In addition, the analysis should be reviewed in conjunction with the auditor's transmittal letter, notes to the basic financial statements and the basic government-wide financial statements to enhance their understanding of the District's financial performance.

For the 2017-2018 school year, the Romoland School District offered instruction to students from pre-kindergarten through eighth grade. Four elementary schools and one middle school operate on a traditional August through June schedule, for the instruction of 4000 students.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Romoland School District (the District) and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. The District reports all activities as governmental activities. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regard to interfund activity, payables and receivables.

Board of Trustees

Manuel Aguirre ♦ Marla Clites ♦ Debbi Moon ♦ Gerard "Gary" Reller ♦ David Sperry

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statement is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Romoland School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's Net Position and changes in them. Net Position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. Other non-financial factors to consider are changes in the District's property tax base, student enrollment growth, condition of District's facilities, quality of education, and safety of our schools.

In the *Statement of Net Position* and the *Statement of Activities*, all the District's activities are as follows:

Governmental activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as proceeds from debt, finance these activities.

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions.

Governmental funds - All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to 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 with the governmental fund statements that explains the differences between them.

Fiduciary funds - The District is the trustee, or fiduciary, for funds held on behalf of others, like funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position

Table 1 reflects the District's Net Position of \$83,348,517 for the fiscal year ended June 30, 2018. Of this amount, \$(10,763,425) was unrestricted. Restricted Net Position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Board of Trustee's ability to use that Net Position for day-to-day operations. Our analysis below focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2018	2017 as Restated
ASSETS		
Current and other assets	\$ 24,337,566	\$ 28,989,239
Long-term receivable	10,310,000	10,560,000
Capital assets, net	90,248,460	88,468,596
Total Assets	124,896,026	128,017,835
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions	16,298,494	12,821,791
Deferred outflows of resources related to net Other postemployment benefits (OPEB) liability	64,647	-
Total Deferred Outflow of Resources	16,363,141	12,821,791
LIABILITIES		
Current liabilities	1,941,154	2,603,251
Long-term obligations	13,458,028	13,637,877
Aggregate pension liability	40,052,869	31,518,827
Total Liabilities	55,452,051	47,759,955
DEFERRED INFLOW OF RESOURCES		
Deferred inflows related to pensions	2,458,599	5,022,085
Net Position		
Net investment in capital assets	78,732,318	77,126,478
Restricted	15,379,624	19,630,859
Unrestricted (Deficit)	(10,763,425)	(8,699,751)
Total Net Position	\$ 83,348,517	\$ 88,057,586

The \$(10,763,425) in combined unrestricted Net Position of District activities represents the accumulated results of all past years' operations.

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2, which reflects the changes in Net Position for fiscal year 2017-2018, takes the information from that Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was \$53,660,975. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$5,727,402 because the cost was paid by those who benefited from the programs \$740,907 or by other governments and organizations who subsidized certain programs with grants and contributions \$7,648,248. We paid for the remaining "public benefit" portion of our school district activities with \$31,543,027 in unrestricted Federal and State aid and \$3,292,322 in interest and general entitlements.

Table 2

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 740,907	\$ 931,943
Operating grants and contributions	7,638,122	7,079,782
Capital grants and contributions	10,126	28,589
General revenues:		
Federal and State aid - unrestricted	31,543,027	30,407,671
Property taxes	5,727,402	13,097,008
Other general revenues	3,292,322	707,215
Total Revenues	48,951,906	52,252,208
Expenses		
Instruction-related	35,714,051	33,136,592
Pupil services	6,151,217	5,946,903
Administration	3,369,977	3,002,803
Plant services	4,088,721	3,265,171
Other	4,337,009	9,895,283
Total Expenses	53,660,975	55,246,752
Change in Net Position	\$ (4,709,069)	\$ (2,994,544)

As reported in the *Statement of Activities* on page 17, the cost of all District-wide activities this year was \$53,660,975. Instruction comprised 66.6 percent of expenses; pupil support services 11.4 percent; administration 6.3 percent; and plant maintenance, operations, and miscellaneous services 15.7 percent.

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Governmental Activities

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including special instruction programs and other instructional programs, pupil services, plant services, administration, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction and other instruction- related activities	\$ 35,714,051	\$ 31,717,222	\$ 33,136,592	\$ 29,095,773
Pupil services	6,151,217	3,130,553	5,946,903	3,331,871
Administration	3,369,977	3,042,461	3,002,803	2,804,141
Plant Services	4,088,721	3,745,560	3,265,171	2,623,129
Other	4,337,009	3,636,024	9,895,283	9,351,524
Total Governmental Activities	\$53,660,975	\$45,271,820	\$55,246,752	\$47,206,438

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$22,549,352, which is a decrease of \$3,836,636 from last year (Table 4).

Table 4

	Balances and Activities			
	July 1, 2017 as Restated	Revenues	Expenditures	June 30, 2018
General Fund	\$ 7,936,573	\$ 42,120,159	\$ 44,126,683	\$ 5,930,049
Child Development Fund	-	657,313	657,313	-
Capital Facilities Fund	8,643,326	2,084,042	1,590,460	9,136,908
Special Reserve Fund for Capital Outlay Projects	2,483,835	35,955	4,201	2,515,589
Debt Service Fund for Blended Component Units	3,605,599	1,060,955	1,018,311	3,648,243
Cafeteria Fund	1,114,572	2,879,888	2,795,432	1,199,028
County School Facilities Fund	2,484,201	10,126	2,493,650	677
Capital Project Fund for Blended Component Units	117,882	976	-	118,858
Total	\$ 26,385,988	\$ 48,849,414	\$ 52,686,050	\$ 22,549,352

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District began projecting the 2017-2018 budget two years before it was adopted. The process of firming up the projected budget started in March 2017, and was completed by formal adoption by the Board of Trustees on June 27, 2017. During the course of the fiscal year, the District revises revenue and expenditure budgets based upon a number of variables that often change throughout the year. Such variables include LCFF GAP funding percentage and the unique District percentage used to calculate supplemental and concentration grant funding, enrollment/attendance percentages, negotiated salary/benefit adjustments, staff increases/decreases, utility rates, new instructional programs, and State and Federal fiscal issues.

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Listed below are the highlights as to why the combined fund balances of the District changed:

The fund balance of our principal operating fund, the General Fund, decreased from \$7,936,573 to \$5,930,049.

General Fund Highlights:

1. Continued transition from Revenue Limit Funding to LCFF Funding.
2. Continued implementation of Class Size Reduction for grades TK-3 in compliance with the LCFF guidelines.
3. Increase of 7 certificated staff due to growth, class size and program changes.
4. Increased percentages for employer contributions to STRS and PERS.
5. Reduction in one-time State dollars (\$67 per pupil).
6. Increase in fees for education of students receiving County services.
7. Decrease in fund balance due to increased expenditures in the salaries (1XXX and 2XXX), benefits (3XXX), services and other operating expenditures (5XXX) and capital outlay (6XXX) object codes.
8. Increase in Routine Restricted maintenance account, both revenue and expenses.
9. Significant increase to Restricted revenue and expenses based on posting the STRS on-behalf entry.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget numerous times, as it attempts to deal with unexpected changes in revenues and expenditures. This information comes from a variety of Federal, State, local and private industry sources. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 69).

1. Revenue budget transfers were adjusted based on changes in ADA and changes in the estimated GAP funding percentage. Revenues were also revised for property tax estimates and interest earnings. Revised entitlements for Federal/State programs were also adjusted based on known values.
2. Program carryovers from 2016-2017 were allocated to specific programs in the 2017-2018 budget.
3. Local revenue increased due to the refunding of an overpayment of QZAB lease payments.

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$90,248,460 in a broad range of capital assets, including land, construction, buildings and improvements, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$1,779,864, or 2.0 percent, from last year.

Table 5

	Governmental Activities	
	2018	2017 as Restated
Land	\$ 18,475,677	\$ 18,475,677
Construction in progress	6,967,601	4,473,951
Buildings and improvements	64,189,235	64,894,270
Furniture and equipment	615,947	624,698
Total	\$ 90,248,460	\$ 88,468,596

Detailed information regarding capital assets is reflected in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had \$13,458,028 in long-term obligations outstanding versus \$13,637,877 last year, representing a decrease of 1.3 percent. Those long-term obligations consisted of the following:

Table 6

	Governmental Activities	
	2018	2017 as Restated
Certificates of participation (QZAB)	\$ 1,000,000	\$ 1,000,000
RSD Public Financing Authority local agency bonds	10,590,000	10,950,000
Educational Facilities Loan	45,000	50,000
Compensated absences (vacation)	160,465	127,534
Net other Postemployment benefits (OPEB) liability	1,662,563	1,510,343
Total	\$ 13,458,028	\$ 13,637,877

Detailed information regarding our long-term obligations is reflected in Note 10 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of \$40,052,869 as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Detailed information regarding the plans are disclosed in Note 14 of the financial statements.

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

- Romoland students achieved the highest growth in Riverside County on the California Assessment of Student Performance and Progress (CAASPP) for English Language Arts
- Romoland students achieved the highest growth in Riverside County on the California Assessment of Student Performance and Progress (CAASPP) for Math
- Romoland's English Language (EL) Reclassification rate exceeds county and state rate and is one of highest in Riverside County
- Romoland eighth grade students achieved an 88% pass rate on the Advanced Placement (AP) Spanish in the program's first year of implementation
- Our PSAT Grade 8 students score higher than state average
- We have experienced a significant reduction in suspension incidents
- Our district enjoys a stable attendance rate above 95%
- Site and district staff has completed a two-year training in the area of cultural proficiency over the past two years
- Romoland is a Google Reference District
- Classrooms, staff, and students are equipped with advanced technology that allows students to access and learn content in new and innovative ways to meet the individual needs of students
- Every school site and the district have received the Common Sense Certification in Digital Citizenship two years in a row
- Our school counseling program provides a supportive approach that supports positive behaviors promoting an enhanced learning environment.

ROMOLAND SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the District Board of Trustees and administration used the following criteria:

The key assumptions in our revenue forecast are as follows:

- Projected enrollment at 4,048.
- Budgeted the GAP funding for the LCFF funding model to be 100 percent.
- The Free and Reduced Lunch/LEP/Foster Youth percentage used to calculate Supplemental and Concentration grants was budgeted at 73.85 percent.
- Increase of 3 certificated teacher positions due to the increase in enrollment of 78 students compared to projection.
- Health/Welfare benefit cap of \$10,000 per full-time employee.
- Step/Column increase for all applicable employees.
- Federal/State entitlements and grants based on 2017-2018 levels.
- Utility costs budgeted based on prior year expenses/usage with appropriate increase based on known factors from utilities.
- Lottery funds based on \$146 per ADA and \$48 per ADA for Proposition 20 funding.
- School Site/Department discretionary budgets funded at full funding.
- PERS rate increased from 15.531 percent to 18.062 percent.
- STRS rate increased from 14.43 percent to 16.28 percent.

Certificated staffing based on the following formula:

Enrollment based on Month 3

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through three	25:1	1,748
Grades four through eight	30:1	2,177

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Carol Cole, Chief Business Official at 25900 Leon Road Homeland, California 92548.

ROMOLAND SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	\$ 22,529,288
Receivables	1,762,543
Long-term receivable	10,310,000
Stores inventories	45,735
Capital assets	
Land and construction in process	25,443,278
Other capital assets	88,527,129
Less: Accumulated depreciation	(23,721,947)
Total Capital Assets	<u>90,248,460</u>
TOTAL ASSETS	<u>124,896,026</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	16,298,494
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	64,647
Total Deferred Outflows of Resources	<u>16,363,141</u>
LIABILITIES	
Accounts payable	1,691,212
Accrued interest	152,940
Unearned revenue	97,002
Long-Term Obligations	
Current portion of long-term obligations other than pensions	390,000
Noncurrent portion of long-term obligations other than pensions	13,068,028
Total Long-Term Obligations	<u>13,458,028</u>
Aggregate net pension liability	<u>40,052,869</u>
TOTAL LIABILITIES	<u>55,452,051</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>2,458,599</u>
NET POSITION	
Net investment in capital assets	78,732,318
Restricted for:	
Debt service	3,495,303
Capital projects	9,137,585
Educational programs	1,593,443
Other activities	1,153,293
Unrestricted	<u>(10,763,425)</u>
TOTAL NET POSITION	<u>\$ 83,348,517</u>

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

ROMOLAND SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 30,217,497	\$ 72,550	\$ 3,290,861	\$ 10,126	\$ (26,843,960)
Instruction-related activities:					
Supervision of instruction	2,286,273	-	312,974	-	(1,973,299)
Instructional library, media, and technology	427,918	1,079	647	-	(426,192)
School site administration	2,782,363	-	308,592	-	(2,473,771)
Pupil services:					
Home-to-school transportation	544,093	-	13,317	-	(530,776)
Food services	2,633,471	138,878	2,868,469	-	373,876
All other pupil services	2,973,653	-	-	-	(2,973,653)
General administration:					
Data processing	1,137,938	-	-	-	(1,137,938)
All other general administration	2,232,039	81,423	246,093	-	(1,904,523)
Plant services	4,088,721	34,200	308,961	-	(3,745,560)
Ancillary services	484,567	107,798	288,208	-	(88,561)
Community services	81,836	-	-	-	(81,836)
Interest on long-term obligations	1,119,012	-	-	-	(1,119,012)
Other outgo	685,273	304,979	-	-	(380,294)
Depreciation (unallocated)	1,966,321	-	-	-	(1,966,321)
Total Governmental Activities	\$ 53,660,975	\$ 740,907	\$ 7,638,122	\$ 10,126	(45,271,820)
General revenues and subventions:					
Property taxes, levied for general purposes					4,633,937
Taxes levied for other specific purposes					1,093,465
Federal and State aid not restricted to specific purposes					31,543,027
Interest and investment earnings					152,860
Miscellaneous					3,139,462
Subtotal, General Revenues					40,562,751
Change in Net Position					(4,709,069)
Net Position - Beginning, as Restated					88,057,586
Net Position - Ending					\$ 83,348,517

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

ROMOLAND SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	General Fund	Child Development Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 6,222,483	\$ 2,814	\$ 9,080,712
Receivables	1,124,813	204,329	38,278
Due from other funds	331,159	35,671	17,918
Stores inventories	-	-	-
Total Assets	\$ 7,678,455	\$ 242,814	\$ 9,136,908
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,611,243	\$ 18,235	\$ -
Due to other funds	56,944	218,694	-
Unearned revenue	80,219	5,885	-
Total Liabilities	1,748,406	242,814	-
Fund Balances:			
Nonspendable	3,000	-	-
Restricted	1,593,443	-	9,136,908
Assigned	2,842,630	-	-
Unassigned	1,490,976	-	-
Total Fund Balances	5,930,049	-	9,136,908
Total Liabilities and Fund Balances	\$ 7,678,455	\$ 242,814	\$ 9,136,908

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

Special Reserve Fund for Capital Outlay Projects	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
\$ 2,504,242	\$ 3,648,243	\$ 1,070,794	\$ 22,529,288
11,347	-	383,776	1,762,543
-	-	3,355	388,103
-	-	45,735	45,735
<u>\$ 2,515,589</u>	<u>\$ 3,648,243</u>	<u>\$ 1,503,660</u>	<u>\$ 24,725,669</u>
\$ -	\$ -	\$ 61,734	\$ 1,691,212
-	-	112,465	388,103
-	-	10,898	97,002
<u>-</u>	<u>-</u>	<u>185,097</u>	<u>2,176,317</u>
-	-	45,735	48,735
-	3,648,243	1,272,828	15,651,422
2,515,589	-	-	5,358,219
-	-	-	1,490,976
<u>2,515,589</u>	<u>3,648,243</u>	<u>1,318,563</u>	<u>22,549,352</u>
<u>\$ 2,515,589</u>	<u>\$ 3,648,243</u>	<u>\$ 1,503,660</u>	<u>\$ 24,725,669</u>

ROMOLAND SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance - Governmental Funds		\$ 22,549,352
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is the following:	\$ 113,970,407	
Accumulated depreciation is the following:	<u>(23,721,947)</u>	
Total Capital Assets		90,248,460
Receivables related to Romoland School District Financing Authority are not received in the near term (within a year) and therefore, are not reported as receivables in the governmental funds.		10,310,000
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(152,940)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds.		
Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	3,526,294	
Net change in proportionate share of net pension liability	4,949,447	
Difference between projected and actual earnings on pension plan investments	319,691	
Differences between expected and actual experience in the measurement of the total pension liability	445,027	
Changes of assumptions	<u>7,058,035</u>	
Total Deferred Outflows of Resources Related to Pensions		16,298,494

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

ROMOLAND SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION, (CONTINUED)
JUNE 30, 2018**

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

Net change in proportionate share of net pension liability	\$ (991,799)	
Difference between projected and actual earnings on pension plan investments	(820,593)	
Differences between expected and actual experience in the measurement of the total pension liability	(537,400)	
Changes of assumptions	<u>(108,807)</u>	
Total Deferred Inflows of Resources Related to Pensions		\$ (2,458,599)

Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of OPEB contributions subsequent to the measurement date.

64,647

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.

(40,052,869)

Long-term obligations at year-end consist of the following:

Certificates of participation (QZAB)	(1,000,000)	
RSD Public Financing Authority (PFA) local agency bonds	(10,590,000)	
Educational facilities loan	(45,000)	
Compensated absences (vacations)	(160,465)	
Net other postemployment benefits (OPEB) liability	<u>(1,662,563)</u>	
Total Long-Term Obligations		(13,458,028)
Total Net Position - Governmental Activities		<u><u>\$ 83,348,517</u></u>

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

ROMOLAND SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Child Development Fund	Capital Facilities Fund
REVENUES			
Local control funding formula	\$ 34,877,600	\$ -	\$ -
Federal sources	2,465,955	-	-
Other State sources	3,677,395	657,313	-
Other local sources	1,099,209	-	2,084,042
Total Revenues	<u>42,120,159</u>	<u>657,313</u>	<u>2,084,042</u>
EXPENDITURES			
Current			
Instruction	27,601,611	514,538	-
Instruction-related activities:			
Supervision of instruction	2,078,534	41,134	-
Instructional library, media, and technology	408,817	-	-
School site administration	2,490,647	86,283	-
Pupil Services:			
Home-to-school transportation	544,093	-	-
Food services	908	1,190	-
All other pupil services	2,738,765	-	-
General administration:			
Data processing	1,128,968	-	-
All other general administration	1,893,386	-	139,378
Plant services	3,683,169	4,488	25,991
Ancillary services	473,066	-	-
Community services	81,238	-	-
Other outgo	397,618	-	-
Facility acquisition and construction	600,863	9,680	829,675
Debt service			
Principal	5,000	-	-
Interest and other	-	-	595,416
Total Expenditures	<u>44,126,683</u>	<u>657,313</u>	<u>1,590,460</u>
NET CHANGE IN FUND BALANCES	(2,006,524)	-	493,582
Fund Balances - Beginning	7,743,423	-	8,643,326
Prior Period Adjustment	193,150	-	-
Fund Balances - Ending	<u>\$ 5,930,049</u>	<u>\$ -</u>	<u>\$ 9,136,908</u>

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

Special Reserve Fund for Capital Outlay Projects	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 34,877,600
-	-	2,505,898	4,971,853
-	-	187,453	4,522,161
35,955	1,060,955	197,639	4,477,800
35,955	1,060,955	2,890,990	48,849,414
-	-	-	28,116,149
-	-	-	2,119,668
-	-	-	408,817
-	-	-	2,576,930
-	-	-	544,093
-	-	2,624,712	2,626,810
-	-	-	2,738,765
-	-	-	1,128,968
-	-	111,965	2,144,729
-	-	58,755	3,772,403
-	-	-	473,066
-	-	-	81,238
-	287,655	-	685,273
4,201	-	2,493,650	3,938,069
-	360,000	-	365,000
-	370,656	-	966,072
4,201	1,018,311	5,289,082	52,686,050
31,754	42,644	(2,398,092)	(3,836,636)
2,483,835	-	25,626,534	44,497,118
-	3,605,599	(21,909,879)	(18,111,130)
\$ 2,515,589	\$ 3,648,243	\$ 1,318,563	\$ 22,549,352

ROMOLAND SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (3,836,636)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which capital outlays exceed depreciation expense in the period.	
Capital outlays	\$ 3,746,185
Depreciation expense	<u>(1,966,321)</u>
Net Expense Adjustment	1,779,864
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(2,493,853)
Proceeds from bonds issued by the Romoland School District Public Financing Authority (RSD PFA) were used to purchase outstanding bonds of various Community Facilities Districts (CFDs). In accordance with the agreement between the RSD PFA and CFD's, special tax assessments collected from the CFDs that benefitted will be used to repay the outstanding bonds issued by the RSD PFA. The amounts paid to purchase the outstanding bonds of various CFDs are expenditures in the governmental funds, but they become long-term receivable in the Statement of Net Position due to the multi-year repayment terms CFD bonds that were purchased. In the current year, a total of \$250,000 was repaid.	(250,000)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.	(87,573)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$32,931.	(32,931)

ROMOLAND SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2018

Repayment of bond principal and the retirement of other debt is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

2015 RSD PFA bonds	\$ 360,000	
Educational facilities loan	<u>5,000</u>	
Combined adjustment		365,000

Interest on long-term obligation in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of accrued interest on certificates of participation increasing by \$152,940.

		<u>(152,940)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (4,709,069)</u></u>

ROMOLAND SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 35,580,579</u>
LIABILITIES	
Due to student groups	\$ 80,191
Due to bondholders	<u>35,500,388</u>
Total Liabilities	<u>\$ 35,580,579</u>

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

ROMOLAND SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Romoland School District (the District) was organized in 1927, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades pre-kindergarten through twelve as mandated by the State and Federal agencies. The District operates four elementary schools and a middle school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Romoland School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship, which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method, as if it were part of the District's operations, and because the governing board of the component units are essentially the same as the governing board of the District, and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Romoland School District and the Romoland School District Public Financing Authority (the Authority) and the Community Facilities District (the CFDs) have a financial and operational relationship which meets the reporting entity definition criteria of (GASB) Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*, for inclusion of the Authority and the CFDs as component units of the District. Accordingly, the financial statements of the Authority and the CFDs have been included in the financial statements of the District. The financial statements present the Authority's financial activities within the Debt Service Fund for Blended Component Units. The CFD's financial activity is presented in the Capital Projects Fund for Blended Component Units and the Agency Funds. Debt instruments issued by the Authority are included as long-term liabilities in the government-wide financial statements. Debt instruments issued by the CFD do not represent liabilities of the District or component units and are not included in the District-wide financial statements.

ROMOLAND SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$173,386.

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District

ROMOLAND SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

of the District under generally accepted accounting principles (GAAP).

Non-Major Governmental Funds

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

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

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

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

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

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB), and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the CFD. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

ROMOLAND SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net Position should be reported as restricted when constraints placed on Net Position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Net Position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

ROMOLAND SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45-60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

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

Cash and Cash Equivalents

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

ROMOLAND SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on weighted average method. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, five to 20 years; equipment, two to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, Statement of Net Position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension

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related items and OPEB related items.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to deductions from the Plans' Fiduciary Net Position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other actions as approved by the governing board. The District currently does not have any committed funds.

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

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officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

Net Position represents the difference between assets and liabilities. Net Position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available. The government-wide financial statements report \$15,379,624 of restricted Net Position, which is restricted by enabling legislation.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

Estimates

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

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Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;

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- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

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

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

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the

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beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities, including restricted investments	\$ 22,529,288
Fiduciary funds	35,580,579
Total Deposits and Investments	<u>\$ 58,109,867</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 80,191
Cash in revolving	3,000
Cash collection awaiting deposit	601,209
Investments	57,425,467
Total Deposits and Investments	<u>\$ 58,109,867</u>

Policies and Practices

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

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

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California *Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

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Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Pool. The Riverside County Pool purchases a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with the First American Treasury Obligations Funds and the Riverside County Investment Pool are rated Aaa by Moody's Ratings. The Santander Bank Commercial Paper is rated P-1 by Moody's Ratings. Rating information for U.S. Bank Money Market Fund was not available.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation and the actual rating as of year-end for each investment is provided by the following schedule that shows the distribution of the District's investment by type and maturity:

Investment Type	Amount Reported	Maturity Date/ Weighted Average Maturity in Days
Santander Bank Commercial Paper	\$ 914,376	11/30/2018
First American Treasury Obligation, Class D	2,766,892	16 Days
First American Treasury Obligation, Class Y	19,966,739	16 Days
First American Treasury Obligation, Class Z	7,113,344	16 Days
US Bank Money Market Fund	8,506,138	N/A
Riverside County Treasury	18,157,978	427 Days
Total	\$ 57,425,467	

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District had \$468,522 in deposits held in banks. Of this amount, \$178,056 was exposed to custodial credit risk because it was uninsured and uncollateralized.

